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China Report

ECONOMIC AFFAIRS

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11 April 1986

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PROVINCIAL AFFAIRS

ZHEJIANG PEOPLE'S CONGRESS TO OPEN 5 MAY

OW041139 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 28 Feb 86

[Excerpts] The Fourth Session of the Sixth Zhejiang Provincial People's Congress will open in Hangzhou on 5 May this year. This decision was adopted after discussion at the 18th session of the 6th provincial People's Congress Standing Committee which concluded today. The decision also suggests that the main items on the agenda of the fourth session of the sixth provincial People's Congress be: Hear and examine the work report of the Zhejiang Provincial People's Government; hear and examine a report on Zhejiang's Seventh 5-Year Draft Plan for Economic and Social Development; examine and approve the economic and social development of Zhejiang Province in 1986; examine and approve the 1985 financial final accounts and the 1986 budget for Zhejiang Province; and hear and examine the work reports of the Standing Committee of the Zhejiang Provincial People's Congress, the Zhejiang Provincial Higher People's Court, and the Zhejiang Provincial People's Procuratorate.

Chairman Li Fengping made a speech about cracking down on serious economic crime. He urged people's congresses at all levels to exercise their authority to supervise efforts, in accordance with law, help and supervise public security and judicial organs as well auditing, customs, industrial and commercial administrative, and other departments to investigate and deal with cases of economic crime. We should have a strong determination and full confidence in carrying out the struggle against serious economic crime.

Vice Chairmen of the provincial People's Congress Standing Committee Chen Anyu, Shang Jingcai, Li Yuhua, Wu Zhichuan, Wang Qidong, and Zhu Zuxiang were present. Vice Governor Shen Zulun attended the meeting as an observer.

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PROVINCIAL AFFAIRS

SHANGHAI CONGRESS STANDING COMMITTEE MEETS 22 FEB

OW022035 Shanghai JIEFANG RIBAO in Chinese 23 Feb 86 p 1

[Excerpts] The 20th Session of the Standing Committee of the 8th Shanghai Municipal People's Congress held yesterday decided that the 5th session of the 8th Shanghai Municipal People's Congress would be held in late April this year. At the proposal of the Standing Committee, the forthcoming session's agenda will be: hearing a report on the draft Seventh 5-Year Plan for Shanghai's National Economic and Social Development; examining and adopting the Seventh 5-Year Plan; examining and adopting Shanghai's 1986 National Economic and Social Development Plan; and examining and adopting Shanghai's 1985 final accounts and 1986 budget.

The session also discussed other relevant matters. Hu Lijiao, chairman of the Standing Committee of the Shanghai's People's Congress, presided over yesterday's meeting. Attending the meeting were Vice Chairmen Wang Jian, Pei Xianbai, Wang Tao, Liu Jingji, Wu Ruolan, Tan Jiazhen, Shu Wen, Cao Tianqin, and Zuo Zhaoji, vice mayors of Shanghai; and leading members of the Shanghai Higher People's Court, the municipal People's Procuratorate, and committees, offices and bureaus of the municipal government; and leading members of People's Congresses of various districts and counties.

The Standing Committee session yesterday also discussed matters concerning the replacement of personnel of departments concerned. It decided to appoint Ge Buzhou [5514 2975 3166] as director of the Communications Office of the Shanghai Municipal People's Government; Li Xiaohang [2621 0879 5300] as director of the Municipal Public Security Bureau; Zhao Hongyuan [6392 3163 0337] as director of the Municipal Auditing Bureau; Yuan Zhangdu [5913 1728 1653] as director of the Municipal Office of Collective Enterprises; and Zhu Jiayi [2612 1367 3886] as director of the Municipal Water Conservancy Bureau.

The meeting yesterday decided to dismiss Wu Fuzhao [6762 4395 5128] from the office of director of the Communications Office of the Municipal People's Government; Zhang Hanzi [1728 3352 3320] from the office of director of the Municipal Public Security Bureau; Li Xiaohang from the office of director of the Municipal Office of Science, Technology, and Industry for National Defense; Zhou Bingkun [0719 2671 0981] from the Municipal Office of Collective Enterprises; and Fan Zhongyi [5400 0112 1150] from the office of director of the Municipal Water Conservancy Bureau.

The meeting also adopted the resolution accepting comrade Zhou Ke's resignation from the office of member of the Standing Committee of the Eighth Shanghai Municipal People's Congress, and requesting the fifth session of the Eighth Shanghai Municipal People's Congress to endorse the resolution retroactively. The meeting yesterday appointed Zuo Ying, vice chairman of the Standing Committee of the Shanghai Municipal People's Congress to replace Zhou Ke as concurrent chairman of the Credentials Committee and Personnel Committee of the Standing Committee of the Shanghai Municipal People's Congress.

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PROVINCIAL AFFAIRS

NEI MONGGOL HOLDS RALLY ON SENDING CADRES TO COUNTRYSIDE

SK210400 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 20 Mar 86

[Excerpts] On the afternoon of 19 March the regional CPC Committee held a rally to mobilize cadres of the organs directly under the region to go to the countryside. It urged the masses of cadres of various departments and bureaus to actively respond to the call of the regional CPC Committee to conduct investigations and study at the grassroots, to help banners and counties in implementing the guidelines of the regional conference of banner and county CPC Committee secretaries, to realize the fighting goal of doubling the economic targets, and to usher in the 40th founding anniversary of the region with outstanding achievements.

Tian Congming, deputy secretary of the regional CPC Committee, and Bai Junqing, vice chairman of the region, spoke at the mobilization rally. Comrade Tian Congming said: The major purposes of our sending cadres of our organs to the countryside at present are: 1) To send them to the forefront to attend to the implementation of policies, and promote practical work; 2) to improve the workstyles of organs, serve the work of the grassroots, forge closer ties between cadres and the masses, intensify investigations and study, and strive to make the policy decisions of our leading organs more scientific; and 3) to train cadres in practice, and cultivate a generation of new people.

Comrade Tian Congming said: The major task for sending cadres to the countryside is to inspect, supervise, support and help the grassroots in carrying out the various tasks to be fulfilled before the 40th founding anniversary of the region as set forth at the regional conference of banner and county CPC Committee secretaries through the investigations and study conducted by the cadres sent to the countryside. The general guiding ideology, as has been mentioned by the regional CPC Committee, is to sum up experiences, promote work, publicize the party's policy on nationalities affairs, and strengthen the great unity among various nationalities. To be more specific, on the premise of doubling the 1978 annual industrial and agricultural output value, it is to solve with great efforts some problems of the masses of various nationalities arising in their production and livelihood, which require urgent solution. These problems include the food and clothes supply to poverty-stricken areas, [words indistinct], water supply, prevention and treatment of endemic diseases, [words indistinct] of rural and pastoral areas, installation of telephones in Sumu, and television reception of pastoral areas.

Time is pressing, and the tasks are heavy. Success in solving these problems depends on the leadership of CPC Committees and governments at all levels, the work of functional departments at various levels, and the concerted efforts of the party, cadres, and the masses. It is also a necessary and important task to transfer a certain number of cadres from leading organs to the grassroots and [words indistinct] to help and support grassroots comrades to implement policies. In modern terms, this is called leading organs serving the grassroots. The service includes suggesting ways and means, and helping grassroots units to report to higher levels or coordinate the problems they themselves cannot solve. Therefore, party organizations of the units under regional organs should conscientiously grasp this work. Comrades sent to the grassroots should carry out their work with high responsibility. Before going to the grassroots, they should make clear what should be done prior to the 40th founding anniversary of the region. After going to the grassroots, they should ascertain local situations, study together with local CPC Committees and governments to formulate measures, and carry out their work in a down-to-earth manner.

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ECONOMIC DEVELOPMENT ZONES

SHENZHEN REAL ESTATE REFORM EXPERIENCES DISCUSSED

Guangzhou GUANGZHOU YANJIU [GUANGZHOU STUDIES] in Chinese No 3, May-Jun 85
pp 20-22

[Article by Peng Kunren [1756 2492 0088]: "Guangzhou Can Learn from the Rise of the Real Estate Industry in Shenzhen"]

[Text] Over the past 5 years, developments in the Shenzhen Special Economic Zone [SEZ] have caught our attention with their magnitude, speed and superior economic results. Given its weak foundation and meager state investments, why has the SEZ been able to obtain such spectacular achievements? An important reason is their boldness in making a clean break with the former real estate system and transforming real estate into a real industry and a major economic pillar of the zone. Their approach provides a useful lesson and experience for Guangzhou's real estate reform.

I

Since the founding of the People's Republic, we have nationalized most urban land, which various units are allowed to use at no cost, and instituted a low-rent system for houses and buildings. This real estate system made urban landed properties a burden on the state which got heavier and heavier as more houses were built, stifled real estate's own reproductive capacity, and even reduced its ability to rely on other production sectors for accumulation to put up new buildings. Over time such a supply-system real estate economy became less and less suited to the demands of the development of a modern social economy and the time has come when we have no alternative but to reform it. Bowing to the objective requirements of economic development, the SEZ boldly reformed the existing real estate management system and breathed new life into the industry.

They began by freeing real estate from the supply system, turning it from a heavy burden on the state into a revenue generator and an important source of development funds for the zone.

It is estimated that today Shenzhen collects 200 to 300 million yuan in land use fees alone each year. Thus is land, a precious resource, transformed into an abundant form of capital for developing the SEZ.

Next, they liberated themselves from the tiny world of managing public buildings only and reformed real estate management departments into diversified enterprises which are oriented toward the entire industry and all of society. They deal in housing properties as well as real estate, extensively using foreign capital and domestic funds. As far as forms of operations are concerned, some buildings are put up by the zone with its own funds, some are joint ventures and cooperative enterprises involving the zone and foreign investors, and some are wholly financed by foreigners, in which case the zone collects a land use fee. In addition, there are projects built by the zone in cooperation with units from the interior.

Third, they abolished the previous housing system and took the first steps toward the commercialization of housing. Houses are sold not only to enterprises and units but also to individuals. Buyers include overseas Chinese and Hong Kong and Macao compatriots as well as workers in the municipality. This housing reform has unburdened the state, revived housing construction's own reproductive capacity, helped unleash the initiative of the state, localities, enterprises and individuals, accelerated housing development, and bridged the supply-demand gap in housing for cadres and workers. In 1983, of 257 large and medium-sized cities and industrial and mining areas, Shenzhen placed second in per capita newly built floor space, which was 4.33 sq m.

Finally, the zone broke the habit of eating from one big ricebowl and began to run real estate like an industry. Real estate enterprises became relatively independent producers and operators and developed new vitality in the process. Real estate in the zone is developed by development companies which are relatively independent real estate concerns. Self-managed and responsible for their own losses and profits, they practice independent accounting and cannot ask the state for capital. Instead they rely on land for most of their capital and use flexible business methods to develop on their own. Apart from foreign capital, they have two other major sources of capital, bank loans and advances on the sale of properties. To make full use of limited funds, they adopt such measures as "build first, sell later," "sell first, build later," "build and sell at the same time," and "snowballing" to sell houses and factory buildings. In this way, they make possible a constant capital turnover and are able to keep expanding the scale of their projects.

There are several real estate enterprises in the SEZ, some native and some from outside the municipality. Some are joint operations with the interior and represent a wide geographical cross section of the country. A booming real estate market has come into being. It is bursting with competition which, in turn, has fuelled the initiative of the enterprises and promoted economic results.

In the wake of preliminary reforms, the SEZ has invigorated the real estate industry and propelled the construction of the zone. In just a few years, Shenzhen has taken on a brand new look. The small, dilapidated frontier town of yore has become an embryonic modern city where close to a thousand modern buildings of varying heights tower aloft.

II

A crucial element in Shenzhen's restructuring of the existing urban land, housing and real estate management systems is its rejection of the supply system and its move to put real estate on the road toward commercialization.

Under commodity economic conditions, the use of land which has been improved must be paid for in accordance with the principle of compensation at equal value because the land has benefited from such inputs as labor and materials. The value of compensation, moreover, is transferred to the building erected on the land or to the products manufactured by the enterprise occupying the land. In this sense, developed land is a commodity. Of course, undeveloped public land, as a property of nature, has no value in itself and is not a commodity. But since the enterprise which uses it is a relatively independent commodity producer, it must pay a land use fee (land rent) to the state. As far as the enterprise is concerned, this piece of land amounts to a fixed asset handed over by the state to it for its use. It should include the land use fee in its commodity production costs and seek to recoup this fee through commodity exchange. In this sense, land use has already been drawn into the orbit of commercialization.

The commercialization of land use and development meets the objective requirements of commodity economic principles and exercises a positive effect on socialist economic construction. Judging by the Shenzhen SEZ's experience, this approach, first and foremost, increases state revenues and transforms such a precious resource as urban land into socialist construction funds. Second, the land use fee is a very useful economic regulatory tool. Since different sections in the municipality command greater and lesser land use fees, the state is able to recapture the extra economic benefits which accrue to an enterprise as a result of its more advantageous physical location. In the process the varied fortunes of different enterprises are made less unequal, which is conducive to the achievement of the principle, to each according to his work. Moreover, now that one has to pay for the use of land and the land use fee becomes part of an enterprise's accounts, land use directly influences its material interests. Hence the enterprise will come under external pressure and develop the internal drive to economize on land use. Finally, the commercialization of real estate helps invigorate the real estate industry and real estate enterprises. Also, as part and parcel of building costs, the land rent can regulate the supply-demand relationship in the rental housing market and the distribution of urban population.

The Shenzhen SEZ's real estate management reform has already had a good beginning. Its real estate industry, now in its ascendancy, provides us with a valuable experience. Of course, this experience came about under a special set of circumstances and is of special applicability. But its basic aspects can still be useful to Guangzhou, which is being opened to the world and in the midst of reform.

First, energetically develop the real estate market in order to make it one of Guangzhou's primary economic pillars. As South China's largest coastal city, Guangzhou has a sophisticated commodity economy and its external and domestic trade is booming. Many foreign investors and Hong Kong and Macao compatriots

have come here to do business and set up enterprises. All this provides excellent conditions for the development of its real estate industry. Guangzhou is similar to Shenzhen in that it is one of the nation's 14 opened coastal cities where an economic and technical development zone has been set up, while oil prospecting and development are going on apace in the South Sea. Moreover, Guangzhou adjoins Hong Kong and Macao and has numerous overseas Chinese, many of whom look forward to buying a house in Guangzhou and spending their last years there. Their relatives in Guangzhou have both the need and the resources to be homeowners. So the conditions are there for Guangzhou to channel part of the overseas remittance to the real estate industry. Right now it must grab the golden opportunity and, taking realities as its point of departure, formulate and perfect relevant policies and measures and vigorously open and vitalize the real estate market.

Second, actively promote the commercialization of construction. In the Shenzhen SEZ, public, educational, cultural and welfare facilities such as primary and secondary schools, nurseries, and day-care centers are built with government appropriations. All other structures--standard industrial factory buildings, shops, warehouses and residences--are built, managed, sold and rented to units or individuals like a commodity, which is what they are. Guangzhou should do likewise. In view of the fact that workers' incomes are still not high and that most workers cannot afford to pay the full commodity value of housing, the commercialization of housing can only be implemented gradually. To begin with, we may set aside for sale by private individuals a portion of the new residential housing completed each year. The units can be sold at full price or at subsidized prices. In the sale of subsidized housing, preference should be given to hardship households so as to gradually reduce the number of households with shelter problems.

The core of the commercialization of housing is reforming the low-rent system and gradually bringing housing rents in line with housing prices. The low-rent system is a disincentive to people to build and sell houses. Rents as well as prices are expressions of the value of housing as a commodity. If we base the selling price of a house on its value and still apply to it the low-rent system, its rent will be so low that it will bear little relationship to house value. In other words, a single commodity will have two drastically different prices. Under these circumstances, it is no wonder that people would rather rent than buy. Just such a problem exists in Guangzhou today. As we reform the wage system, we should consider reforming the low-rent system as well. In the course of commercializing buildings, we also help create a real estate industry and tap a new source of revenue for municipal construction.

Third, commercialize the development and use of land and let housing commercialization stimulate land commercialization.

Since state enterprises in Guangzhou are currently implementing phase two of the reform to replace profits with taxes, definite difficulties will arise if we impose the land use fee across the board. But we can begin phasing in the land use fee system in qualified areas or units, such as the economic development area, other newly developed areas, enterprises financed with foreign capital or operated jointly with the interior. In determining the

forms the land use fee should take, we may take a leaf from Shenzhen's book: (1) Lease the land to the foreign investor and directly collect from him a land use fee. (2) In the case of a joint venture, the Chinese partner uses the land value as part of his investment and draws a land use fee from the profits. (3) In a cooperative enterprise, we provide land while the foreign investor provides capital. Net profits will be split in accordance with a formula in the agreement. (4) When a Chinese real estate company uses its own money to put up a building, it should take the land use fee into account when calculating selling prices. To make the above methods workable, we must lay down and perfect regulations concerning land use duration, land use fee standards, payment methods, and other matters. They should be written into law to guide our actions.

As for land which has been developed, and hence appreciates in value, as a result of investment by development companies, such as land benefiting from the seven kinds of infrastructural improvements (road construction, water, electricity, telecommunications, gas, floodwater drainage, sewage drainage) and land levelling, a land improvement fee should be imposed on the land user.

It can be foreseen that as soon as the real estate industry in Guangzhou is commercialized, it will generate a handsome amount of revenue for the state. Guangzhou's real estate industry will develop into an independent industry, join the larger system of the entire social commodity economy, and become one of Guangzhou's economic pillars.

Fourth, put enterprises in charge of real estate development and strengthen their vitality. First, we must demand that government, institutions and enterprises be separated so that real estate enterprises truly become relatively independent commodity producers and managers. If we are to treat real estate as a commodity, real estate enterprises must observe the law of value for the sake of sound management. Consequently they have to be equipped with managerial autonomy and decision-making power. No longer can they remain passively at the beck and call of higher administrative authorities. Instead they must be dynamic commodity producers and managers. Already there is a host of real estate development companies in Guangzhou practicing independent accounting and responsible for their own profits and losses, which are stimulating the development of the real estate industry. They have been particularly active in taking advantage of the open door policy to go into partnership with foreign businessmen. In some real estate development companies, however, governmental and entrepreneurial affairs are still merged. As urban reforms become more thoroughgoing, it is better that we separate politics from enterprises, conditions permitting.

To put an end to the state monopoly over the real estate industry, we must permit the existence and flourishing of a variety of economic forms and managerial approaches. Under the unified planning, management, guidance and supervision of the urban construction department and housing management department, we should practice managerial pluralism to accommodate state enterprises as well as collective enterprises, Chinese-foreign joint ventures, as well as cooperative enterprises, and permit individual operators to undertake such projects as house repair and decoration. Only when the state, collectives and individuals prosper together, each doing what it is good at,

can the industry blossom. Also, real estate enterprises must deliver themselves from their own little world of public building management and orient themselves to the entire society. They must diversify, engage in social management, and go in for whatever fills a social need and has a market, from housing construction, renovation, and land development to design, decoration, producing and supplying building materials and providing citizens' daily services.

We must allow and guarantee competition. Since we admit real estate into the company of commodities and allow the coexistence of multiple economic forms and managerial methods, competition becomes inevitable, and once there is competition, there will be comparison to winnow out the inferior. This external pressure will stimulate an enterprise's internal dynamism and fully exploit its internal potential to react sensitively to market information and increase economic results. At present there are more than 10 real estate companies in Guangzhou where one used to reign. We should consider allowing out-of-town localities and peasants to come here and take part in developing and competing in Guangzhou's real estate. Under unified planning, guidance and management, we should introduce a bidding system for everything from land development and architectural design to building construction. The bidding system will help attract more external funds, technology, building materials and labor into the municipality and bring about a prosperous real estate market in Guangzhou.

We must activate capital turnover in the real estate industry. Toward that end, we must raise funds from a variety of channels and make a special effort to learn Shenzhen's "snowballing" technique to speed up capital turnover and improve the effectiveness with which capital is used. We must fully exploit the positive role banks play in developing Guangzhou's real estate industry. Besides extending loans, they should raise capital in a variety of ways, such as offering homeownership savings accounts and housing mortgage, issuing "housing construction securities" and so on, in order to support and promote the development of the real estate industry.

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ECONOMIC DEVELOPMENT ZONES

BRIEFS

LIGHT INDUSTRIAL PRODUCTS FAIR--The Guangdong Provincial Second Light Industrial Products Spring Fair successfully concluded in the Guangzhou Foreign Trade Center this afternoon. The total volume of business reached 161.3 million yuan. The fair overfulfilled sales quota by 51.3 million yuan. At this fair, many transactions were concluded for domestic electric appliances, including refrigerators, fans, rice-cookers, and twin-tub washing machines, and this constituted the largest category of goods sold. Small metal products, aluminum products, articles for cultural and sports use, musical instruments, and plastic products, were also very marketable and could not meet the demand. The number of transactions in garments, furniture, and leather goods was reduced and the amount of sales dropped. At the fair, children's toys of numerous varieties, which were colorful and whose workmanship was good, pleased the onlookers. Some 2,000 varieties of major categories were on display. The number produced of two categories of toy--educational and the battery-operated type--have constantly increased. The volume of business in toys exceeded 1 million yuan. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 14 Mar 86 HK] /8918

CSO: 4006/851

FINANCE AND BANKING

DEPOSITORS PERMITTED TO WITHDRAW FOREIGN CURRENCY

Hong Kong WEN WEI PO in Chinese 20 Nov 85 p 3

[Article: "Withdrawal of Foreign Currency from Foreign Currency Deposits Now Allowed; Capital and Interest in Foreign Currency Accounts Can Be Withdrawn Outside the Country; Depositors or Their Relatives Outside the Country Can Draw Foreign Exchange"]

[Text] From the 12th of this month the Bank of China [BOC] will implement new regulations for foreign currency deposits of domestic residents permitting the withdrawal of foreign currency.

In July of last year BOC began to handle foreign currency deposits by domestic residents, but foreign currency could not be freely withdrawn. After the provinces and municipalities of Guangdong, Fujian, Shanghai, and Beijing tried permitting the withdrawal of foreign currency in March of this year, the number of deposit accounts and the quantity of funds doubled and redoubled. In June of this year permission to withdraw foreign currency was extended to 10 cities, including Dalian and Tianjin. According to incomplete statistics, at the end of this October over 100,000 deposit accounts had been opened, and many of these had over HK\$10,000 in them.

Under the newly issued procedures and regulations for domestic residents' foreign currency deposits, any freely convertible foreign currency remitted from abroad, carried in, or held by domestic residents can be deposited in foreign exchange accounts; any freely convertible cash foreign currency carried in from abroad or held by domestic residents can be deposited in cash foreign currency accounts. Domestic residents' foreign currency deposits are time deposits, and deposit periods are divided into four types: 3 months, 6 months, 1 year, and 2 years. In case of special needs, early withdrawals can be permitted by the bank of deposit. Currencies of deposit are limited to the dollar, the pound, the mark, the yen, and the Hong Kong dollar. Other freely convertible currencies will be converted into one of the above five currencies and accepted for deposit on the basis of the market value quoted on the day of deposit.

The new regulations stipulate that the principal and interest of foreign exchange accounts can be remitted abroad and can be drawn on for reasonable amounts of foreign cash currency; foreign currency cash accounts' principal

and interest can be withdrawn in cash, but remittances abroad must receive the approval of the BOC or foreign currency administrative departments depending upon the size of the funds. Depositors or their close relatives going abroad may withdraw foreign currency in cash from deposit accounts according to regulations, and based upon travel documentation the bank of deposit will give proof that the foreign currency is going abroad.

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CSO: 4006/461

FINANCE AND BANKING

EFFECT OF CHINA'S ENTRY TO ASIAN DEVELOPMENT BANK

Hong Kong WEN WEI PO in Chinese 4 Dec 85 p 2

[Editorial: "Effect of China's Entry to Asian Development Bank"]

[Text] The restoration of China's membership in the Asian Development Bank [ADB] after a delay of more than 2 years was finalized at a meeting in which the People's Republic of China became the sole legal government representing China while Taiwan remains in the ADB under the formula "China Taipei."

This is the result of a policy adjustment regarding the ABD problem by authorities in Washington. The United States has always said that China can enter the ADB, but the name and seat of the "Republic of China" cannot change, otherwise the ADB would not receive future American financial assistance. Under these circumstances, how could China forsake principle?

China is a great Asian power and a member of the United Nations. The ADB is an organization promoting and aiding economic cooperation in the Asian Pacific region in many ways, but without the inclusion of China's population of 1 billion the ADB would not be able to completely fulfill its role in the international structure. The majority of member countries all welcome China's entry, thus strengthening economic cooperation in the Asian Pacific region.

According to Article 3 of the ADB Charter signed by all member countries on 4 December 1965, the qualifications for membership in the ADB are: (1) member of the United Nations' Economic and Social Commission for East Asia and the Pacific; (2) member country in the U.N. General Assembly or any of its specialized agencies. These regulations show that China's entry to the ADB is perfectly justified. Taiwan is only a province of China, and should not occupy China's seat, but may only remain within this organization as "China Taipei." The United States has nevertheless consistently supported Taiwan remaining in the ADB as the "Republic of China," and China could not accept this situation of "two Chinas," so it did not formally apply for membership.

Recently, China's resolution of the problem of Hong Kong's return to the motherland under the "one country-two systems" formula has produced far-reaching international effects. Knowledgeable Americans have begun to look into and consider the feasibility of this kind of formula for the unification of the Chinese people. The development of a Reagan administration adapting to

the situation, the beginnings of a realistic policy to encourage Taiwan not to be isolated from international society, and under the name of China Taipei, to stay in the ADB along with China so that there may be dialogue and exchanges, all stem from a calculation of American interests.

Some people say that Taiwan's continuance in the ADB is like the Olympic Games' formula, but the ADB formula has some differences.

ADB members are governments, thus the council is attended by official representatives. The Olympic Committee is a peoples' organization, and in essence the two are different in this respect. Hereafter, mainland and Taiwanese officials will have a channel to discuss Asian economic cooperation problems within the ADB. This may lead to a shared dialogue and a reduction of animosity. Taiwan may not be willing to recognize the situation of dialogue between officials from both sides. Thus for the past few days Taiwanese officials exhibited great opposition to the ADB formula, claiming that Taiwan's "membership rights" have been "injured".

Taiwan may be considering "withdrawal." But from the standpoint of the Chinese people, we hope that Taiwan takes heart, faces reality, actively participates in international economic bodies, and does not isolate itself. Facts will prove that to stay in the same organization with the mainland, to initiate cooperation, coexist peacefully, deepen understanding, avoid a resort to arms, and to turn hostility into auspicious peace, will benefit Taiwan's economic development and promote economic contacts between China and Taiwan. Staying in the ADB yields good, and no harm.

Some people mistakenly believe that the mainland plans to cut off and isolate Taiwan, and will not let Taiwan remain in international society. This is a serious misunderstanding. The ADB formula really expresses Beijing's sincerity in encouraging Taiwan's participation in international activities. Beijing does not wish to cut off Taiwan's foreign economic, cultural, or educational exchanges. Excessive doubts and fears are unnecessary. Beijing's objective is "one country-two systems" and unification with the motherland, not one China and one Taiwan, or two Chinas. As for different social systems, Beijing does not demand uniformity but desires peaceful coexistence, and what better method than this is there to eliminate antagonism between the two sides?

12615

CSO: 4006/461

MINERAL RESOURCES

BRIEFS

GOLD OUTPUT--Beijing, 20 Mar (XINHUA)--China now has 20 counties producing each more than 10,000 liang of gold a year. These counties are located in Shandong, Henan, Hebei, Nei Monggol, Heilongjiang, Shaanxi, Jilin, and Yunnan. Zhaoyuan county in Shandong and Lingbao county in Henan produced respectively 100,000 and 55,000 liang of gold in 1985, ranking first and second in the nation. It is learned that China's gold output increased steadily during the Sixth 5-Year Plan, with output in 1985 topping 1980 by 63 percent, representing an average annual increase of 10 percent. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1347 GMT 20 Mar 86 OW] /8918

CSO: 4006/851

11 April 1986

INDUSTRY

TECHNOLOGICAL TRANSFORMATION OF SUZHOU SILK INDUSTRY REPORTED

Beijing RENMIN RIBAO in Chinese 6 Dec 85 p 2

[Text] The technological transformation of the entire silk industry has brought exuberant vitality to the silk industry of Suzhou, which is known as the "silk capital." In the first 9 months of this year silk fabric output in Suzhou totaled 154 million meters, with over 200 varieties and over 2,000 designs and colors--number one in the nation. The export of silk and satins totaled more than 43 million meters, 9.11 percent more than the same period last year and six-fold higher than the average growth rate of the preceding 6 years. The silk industry has become the model of technological transformation of Suzhou's industries and is in the lead of the technological transformation among its nationwide counterparts.

Since 1979 a "coordinated process" in technological transformation of Suzhou's silk industry, characterized by consolidation of key links and establishment of complementary facilities, has profoundly changed the features of the entire silk industry. More than 700 sets of equipment with international advanced technology have played an important role in key positions in silk production. The entire silk industry has begun to institute mechanization, continuity, and automation.

The technological transformation of the industry has significantly increased the production capacity of Suzhou's silk industry, improved economic benefits considerably, and enhanced the capability of export for foreign exchange and market adaptability. The finishing of printing and dyeing used to be a weak link in the entire silk industry. Through technological transformation and equipment updating, production capacity has grown by more than one-third. The proportion of high and medium-grade products throughout the industry has increased considerably. The major varieties of silk and satins have been transformed from synthetic silk and cotton into real silk and real silk fabrics; the major varieties of real silk have been transformed from electric plain-weave and grainy silk fabrics into crepe-spinning jacquard weave fabrics. According to statistics for the 6 years from 1979 to 1984, the funds used in the technological transformation of the urban silk industry totaled 80 million yuan, but the profits and taxes delivered to the state came to more than 440 million yuan, 6.5 times the total capital investment. The profits created from every 100 yuan of fixed assets more than doubled. The production of chemical fiber attained an even higher level. Last year, not only did the

output of polyester long fiber increase five-fold compared with 1979, but new raw materials of chemical fiber, characterized respectively as special silk, compound silk, network silk, modified silk and color-spinning silk, were produced. The varieties of synthetic silk fabrics have been considerably increased. Over the past 6 years, the gross output value of Suzhou's silk industry has increased at an annual rate of 11.4 percent and the profits have increased at an annual rate of 15.1 percent.

The international silk market has generally been depressed this year, but Suzhou's silk and satins have sold well in more than 100 countries and regions. Sales have increased by a wide margin compared with the same period last year, with more than \$75 million in foreign exchange receipts.

9335

CSO: 4006/400

INDUSTRY

SHANXI RADIO URGES 'MADE IN CHINA' PATH IN TECHNOLOGY IMPORTS

HK210301 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 20 Mar 86

[Station commentary: "We Should Follow the 'Made in China' Path in Importing Technology"]

[Excerpts] The 16 cubic meter excavator produced by the Taiyuan heavy machinery plant through importing technology from and cooperating with the U.S. Harnischfeger Corp. and the 200-ton caterpillar crane produced through importing technology from and cooperating with the West German Demag Corp. have successfully passed their acceptance tests.

Since instituting the policy of enlivening the domestic economy and opening up to the world, the industry, communications, and finance and trade enterprises in Shanxi have imported a good deal of advanced technology and equipment from abroad. This has played a positive role in improving the production capacity of these enterprises and progressing toward advanced world levels. However, the question of how to import and digest advanced foreign technology and reach the stage when our products are made in China represents a major task. Some units only import equipment without importing technology. In other words, they only import the eggs without the chicken. In the end they have to depend on others forever. Some units import technology that does not accord with their actual conditions, and fail to pay attention to absorption and digestion. The result is that they cannot make their products themselves. These two trends should be avoided.

The Taiyuan heavy machinery plant made economic calculations in importing technology in connection with the state of the nation and of the plant itself. It took aim at advanced world standards and worked hard at accepting and digesting the technology. It has persistently followed the path of importing, digesting, developing, and creating, and has speeded up the process of having its products made in China. The plant itself made 34 percent of the parts for the excavator and 78 percent of the parts for the crane.

Importing advanced world technology and speeding up the process of having our products made in China is a relatively good way of developing our machine-building industry and catching up with advanced world standards. We hope that the industry, communications, and finance and trade enterprises throughout the province will make great efforts in this respect. We also hope that the Taiyuan heavy machinery plant will take new strides along the road of importing technology and striving to have its products made in China.

/9365

CSO: 4006/859

INDUSTRY

SHANXI PLANT PRODUCES HEAVY CONSTRUCTION EQUIPMENT

HK210257 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 20 Mar 86

[Excerpts] China's first large 16 cubic meter excavator and a 200-ton caterpillar crane have been successfully completed at the Taiyuan heavy machinery plant. On 20 March, the office of the State Council's Major Technology and Equipment Leadership Group organized the departments concerned to hold an acceptance ceremony at the plant.

This plant produced the excavator in cooperation with the U.S. Harnischfeger Corp. and the crane in cooperation with the West German Demag Corporation. The technology was imported from these two corporations. Experiments and appraisals have shown that the quality of the products fully meets U.S. and West German standards.

Development of the 16 cubic meter excavator was organized by the State Council's Major Technology and Equipment Leadership Group. It is a key item of equipment for use at opencast mines, and is of advanced international standards of the early 1980's. It is suitable for use at opencast coal, iron ore, and metal mines producing tens of millions of tons a year. It can handle 12.2 million cubic meters of ore a year, equivalent to the work of 40,000 workers.

The 200-ton caterpillar crane has a maximum height of 120 meters [words indistinct]. It is flexible in application and suitable for use at large construction projects, and at large chemical, metallurgical, and electric power plants; it can be used for moving large items of machinery and for construction work at a great height. Some 78 percent of the parts of this crane are made in China. The machine is thus basically China-made.

The successful manufacture of these two products will play an important role in speeding up the development of China's mining and improving installation work at great heights.

The acceptance ceremony was attended by Lin Zongtang, deputy leader of the State Council's Major Technology and Equipment Leadership Group and vice minister of the State Economics Commission; He Guangyuan, vice minister of the Ministry of Machine-Building Industry; Yan Wuhong, vice governor of Shanxi; (Yang Hongchun), mayor of Taiyuan; and leaders of provincial and city departments concerned.

/9365

CSO: 4006/859

INDUSTRY

DEVELOPMENT OF SICHUAN BUILDING MATERIALS INDUSTRY REPORTED

Beijing ZHONGGUO JIANCAI [CHINA BUILDING MATERIALS] in Chinese No 11,
13 Nov 85 p 22

[Report by Yan Qinglan [3601 1987 1526], Director of the Sichuan Provincial Bureau Building Materials Industry: "Implement the Policy of Letting Everyone Do Something About Building Materials and Accelerate the Development of Sichuan's Building Materials Industry"]

[Text] Since liberation, our provincial building materials industry has developed rapidly. Output value in 1984 was 1.48 billion yuan, 300 times more than that of 1950. The output of cement and standard brick increased 412 and 400 times respectively compared with 1950. The output of other products also increased by a relatively wide margin. However, the supply of these products still fell short of demand. Therefore, a major topic in our province's national economic development is to implement the policy of letting everyone do something about building materials and accelerate the development of the building materials industry. In view of the variety of Sichuan's industries, letting everyone do something about building materials embodies great potential and bright prospects. A study recently shows that we can adopt the following means in letting everyone do something about building materials:

1. Introducing Funds from Other Industries To Develop the Building Materials Industry: The Panzhihua Iron and Steel Company is one of the nation's key enterprises. The corporation has decided to invest 25 to 30 million yuan in the Dukou Cement Factory to set up another production line. The provincial communications department has decided to appropriate 10 million yuan for the building materials departments for the development of cement. The provincial department of ordnance industry has agreed to provide a portion of the funds for rebuilding the Chongqing Cement Factory. According to incomplete statistics, the initial designated funds totaled roughly 200 million yuan.

2. Running Building Materials Factories Jointly with Other Trades and Undertakings: The Southwest Aluminium Processing Factory plans to cooperate with the Chongqing Municipal Bureau of Building Materials Industry in producing aluminium alloy doors and windows. The Dukou Longdong Coal Mine and the Dukou Cement Factory have jointly established a cement factory with an annual production capacity of 75,000 tons of cement. The state-owned No 812 Factory has invested 7 million yuan in a joint venture with the Baoping County

Mineral Products Company to establish the "Jianxin Stone Materials Company" to exploit and process marble.

3. Supporting Other Industries To Establish Building Materials Enterprises: The Second Provincial Light Industrial Department plans to construct, in the Seventh 5-Year Plan period, a pottery and porcelain factory with an annual production capacity of 500,000 ceramic sanitary items and 300,000 to 400,000 square meters of ceramic tiles, a workshop with an annual production capacity of 1,000 to 2,000 tons of plastic pipes and parts, a workshop with an annual production capacity of 800,000 square meters of plastic doors and windows, and another workshop with an annual production capacity of 1,000 tons of formed materials and aluminium alloy doors and windows. The Provincial Labor Reform Bureau plans to emphasize the development of cement and marble during the Seventh 5-Year Plan period. The Provincial Bureau of Township and Town Enterprises plans to increase by 1990 the output value of building materials of the township and town enterprises 2.18-fold more than 1984. Cement output will reach 3.75 million tons, brick output will reach 16 billion, and marble slab output will total 520,000 square meters.

4. Relying on Other Industries To Develop New Varieties of Building Materials: The Provincial Chemical Industry Office and the Second Provincial Light Industry Office plan to actively develop paints and construction plastics. The Provincial Light Industry Office is vigorously developing fiberboard. The Provincial Metallurgical Industry Office and the Provincial Machine Building Office are vigorously developing aluminium-alloy doors and windows. A number of prefectures and cities also have similar plans. For example, the Chongqing municipal chemical industrial system plans to import facilities with an annual production capacity of 1,000 tons to produce polyvinyl chloride plastic doors and windows.

5. Comprehensively Using Industrial Waste Residues To Produce Building Materials: The Provincial Coal Industry Bureau plans to build a gangue brick factory with an annual production capacity of 12 million pieces of brick separately at the Baozhusi Coal Mine and in the Junlian Coal Mine. The East Sichuan Electric Power Bureau has agreed to invest in production of building materials using fine coal ashes. The Zhongliangshan Coal Mine decided to produce gangue brick, cement, and prefabricated components using waste residues.

6. Providing Technical Services: The township and town enterprises and the second light industrial system strongly desire the building materials departments to provide information and technical services. The Provincial Defense Industry Office, the Electronics Industry Office, and the Machine Building Office are willing to shoulder the task of digesting and assimilating imported equipment, providing computational technology, and providing technical equipment for the development of building materials.

7. Undertaking Key Scientific Research: For example, the No 5 Institute of the Ministry of Ordnance Industry is willing to cooperate with Sichuan to develop the explosives technology for slicing marble and so on.

8. Cooperating in Organizing Export of Labor Services: By 10 July 1984, 886 workers from our provincial building materials system have gone to work in Iraq. Of these, 53 are from other trades and undertakings, and are primarily technical personnel and workers on instrument and automation control.

In a word, letting everyone do something about building materials has been a rich and diverse experience. We can see from the above that the implementation of the policy of letting everyone do something about building materials is not an expedient measure, but rather is one with a bright future. We must unremittingly implement this policy and probe the issues which are represented in the course of practice, particularly those issues which are tantamount to policy. This way, we will definitely be able to render greater contributions to accelerating the development of Sichuan's building materials industry.

9335

CSO: 4006/400

INDUSTRY

BRIEFS

HORIZONTAL CASTING MACHINE--Hefei, 27 Feb (XINHUA)--China's first double flow type, tubular horizontal casting machine was successfully developed by Anshan Iron and Steel Co. and recently passed approval by the Ministry of Metallurgical Industry. The casting machine was one of the key technological projects during the Sixth 5-Year Plan. It has the characteristics of low production cost, occupies little space, and yields good results. [Summary] [Beijing XINHUA Domestic Service in Chinese 0018 GMT 27 Feb 86 OW] /9365

SHAANXI KEY PRODUCTS--The focal point in Shaanxi's industrial production this year is to grasp the production of 24 products that sell well, have increased output potentials, and have good development prospects. Among light and textile industry products, these include cigarettes, white wine, sewing machines, wristwatches, plastic goods, clothing, and chemical fibers. Among electronic products, they include color kinescopes, color television sets, and air conditioners. Among machine industry products, they include automobiles, motorcycles, civil aircraft, washing machines, cameras, power transmission equipment, airflow spinning machines, and elevators. To ensure the production of these key products, the provincial authorities have demanded that the prefectures and cities and the departments and bureaus concerned take steps to make priority arrangements for the supply of the necessary raw materials. [Text] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 19 Mar 86] /9365

CSO: 4006/859

SMALL-SCALE ENTERPRISES

ARTICLE URGES RURAL ENTERPRISES TO RAISE QUALITY

OW261205 Beijing XINHUA in English 1042 GMT 26 Feb 86

[Text] Beijing, 26 February (XINHUA)--For the numerous rural enterprises in China that have sprung up with the rural reforms, 1986 will be a year of consolidation, said Zhang Yi, deputy director of rural industry of the Ministry of Agriculture, Animal Husbandry and Fisheries.

In an article in today's ECONOMIC DAILY, he said that the task of these enterprises for this year was to improve product quality, economic efficiency and upgrade technology.

The speed of development should be steadied after 2 years of hectic growth and work is needed to improve management and the rules and regulations to check the trend of expanding personal gains at the expense of the collectives, he said.

The enterprises produced 230 billion yuan worth of goods in 1985, compared with 72 billion yuan in 1980. They cover industry commerce, construction and service trades. With a total employment of more than 60 million workers, they turned out 3,200 products in 1985.

The booming rural enterprises have opened a new way of urbanization in China's countryside. All the workers have left their land but not their homes.

The outstanding problem for these enterprises at present, the ministry official said, is inferior quality of products and workers.

He said that a rural worker training system and quality control network will be set up this year. Factory directors, accountants and technicians will have to go through retraining courses.

To solve raw materials problem, he said, rural enterprises in different regions should strengthen their cooperation. The businesses in western China, which is rich in natural resources, should provide raw materials to those in the east.

He urged rural enterprises to put more products for exports and opened up more international markets with goods of superior quality.

/12232

CSO: 4020/242

11 April 1986

SMALL-SCALE ENTERPRISES

PROBLEMS IN PRODUCT QUALITY DISCUSSED

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 15 Jan 86 p 3

[Article by Bureau of Agriculture, State Economic Commission: "Shift Focus of Work to Product Quality; Report on Product-Quality Inspection in Jiangsu and Shandong Township and Town Enterprises"]

[Text] Our bureau formed two inspection teams to look at quality control of products in township and town enterprises. Between the end of August and mid-September 1985 they carried out inspections in Jiangsu and Shandong. They focused on 29 enterprises in different fields in Yangzhou and Suzhou, Jiangsu and in Yantai, Shandong. They held separate discussions between the enterprises and concerned township, county, municipal and provincial departments.

Below are explanations of the various problems.

I. The Present Status and Problems of Township and Town Enterprises Concerning Product Quality

Township and town enterprises in Jiangsu and Shandong were established early and developed rapidly, particularly in Jiangsu. Along with the rapid growth of township and town enterprises, not only did product quantity and variety greatly increase, product quality also constantly improved. This can chiefly be seen in the following.

1. Several advanced enterprises with relatively high control standards and good product quality have sprung up in various areas. Last May, the Bureau of Standards in Jiangsu and other units inspected 29 products in 34 enterprises. The quality of 26 had been steadily improving and 2 had already won the title of top-quality product in the province. Over the past few years 16 products in Yantai became superior products in the province, 8 became superior products in the ministry and 2 became superior national products. Of the 29 enterprises we looked at, there were quite a few that could be considered the "cream of the crop." The microwave acupuncture and moxibustion instrument manufactured by the Jiangdu County Radio Plant in Yangzhou was created by China. In 1983, it won our commission's new product gold medal and the top-quality award of the Ministry of Electronic Industries. In 1984, it again won a gold award at the Plovdiv International Fair in

Bulgaria. The electric light socket and plug outlet manufactured by the Bakelite Electrical Equipment Plant in Tangqiao Township, Shazhou County, Suzhou earned the reputation of being "exempt from inspection" at more than 20 purchasing stations throughout the county. In 1982 the Plug Pump Plant in Rongcheng County, Shandong began manufacturing the Taishan No 12 tractor hydraulic hoist which uses a plug pump. In 1982 and 1983, it was rated as a top-grade product during the provincial inspection and in 1984 it won the province's superior product award. Although there are only a few enterprises such as these at present, they nevertheless represent the trend of development in product quality in township and town enterprises. Their experiences have far-reaching significance.

2. Most enterprise products satisfy the needs of the market. Both production and marketing are thriving. According to statistics in Suzhou, in the first half of last year, of 130 principal products in township and town industries, the output of 33 products more than doubled over 1984, however, the supply of many products cannot meet the demand. Similar circumstances exist in Yantai.

3. Economic departments at all levels have begun to emphasize product quality in township and town enterprises. In 1984 the Township and Town Enterprise Bureau in Yangzhou and concerned departments began to focus on work in product standardization in township and town enterprises. The ratio of standardized products out of over 1,000 products with an annual output value of over 300,000 yuan increased from 45 to 80 percent. A fine foundation was laid for ensuring product quality. In Suzhou, product quality became the key task last year. It was proposed that it is necessary to correctly handle relationships between speed and results, extensive and intensive aspects, competition and creativity, and to stress results, technology, and quality. After becoming aware of this, many responsible comrades in authorized county and township departments began to emphasize product quality and made product quality a key task. Each and every firm and business also actively served township and town enterprises and obtained fine results.

However, according to the conditions reported by these two provinces, numerous problems exist in product quality in township and town enterprises, some of which are quite severe. The principal problems are:

1. In many enterprises awareness of quality is quite poor. Emphasis is given to output and profits, not to quality and results. There are either no standards in product manufacturing or work is not done according to standards. Product quality is not stable. Of 16 products in Wuxi selected by the Bureau of Standards in Jiangsu only 7, or 44 percent, were up to standard. According to their analysis, the proportion of products up to standard throughout the province is estimated at approximately 50 percent. In Yantai, Shandong 1,402 products from 990 enterprises were examined and 67.2 percent were up to standard. Problems in product quality in some firms, particularly food enterprises, are even more serious. Of 162 products in 140 enterprises throughout the province, 45 percent were up to standard.

2. Fair numbers of enterprises lack even the most basic quality guarantees, they do not have the capacity to manufacture products that are up to standard. According to statistics in Jiangsu, at present over 50 percent of industrial products in townships and towns are substandard. Most enterprises are "imperfect in four areas," that is, in blueprints, standards, technology, and structure, so it is very difficult to guarantee quality. In Shandong 2,078 enterprises were investigated. Of these, 361, or 17.4 percent, lacked blueprints and technology; 252, or 12.1 percent, lacked an inspection system; and 503, or 24.7 percent, has unsound examination and measuring methods.

3. In a few enterprises, legal concepts were vague and little attention was paid to professional ethics. They used inferior material and did shoddy work, manufactured goods in a rough and slipshod way and even palmed off inferior good as being brand name products. According to statistics in Yantai, since last year 870 bicycles, 725 cartons of cigarettes, and 46,000 bottles of alcohol and beverages, all with fake name brands, were found in Yantai from other part of the country. Circumstances such as these have been discovered in quality inspections throughout the country.

4. Below the village level (including cooperative enterprise, joint households and individual enterprises) there is basically no one in charge of product quality. The situation is unsettled and there are numerous problems.

The above-mentioned circumstances illustrate two problems. One is that the problem of product quality in township and town enterprises is quite striking. The problems must be brought under control. Thus, it is necessary to lose no time in focusing work of product quality. This is essential. The second problem is that the experiences of a few advanced enterprises show that even though township and town enterprises "suffer from inherent shortages," have short histories and weak foundations, as long as ideology is correct, leadership is taken seriously, and work is sound, product quality may be improved after a few years of effort.

II. Guiding Ideology in Quality Control

Striving to develop township and town enterprises and proceeding along the path of Chinese-style industrialization are the policies set down by the Central Committee and a necessity for establishing socialism. Thus, it is necessary to have strategic foresight in the development of township and town enterprises and to focus on the vigorous development of the overall rural economy, on proceeding along the new path of Chinese-style industrialization and on finding employment for a surplus labor force of hundreds of millions. Proceeding from this general concept, comrades from all over believe that it is necessary to uphold the guidelines proposed by the State Economic Commission for control of product quality: "It is essential to implement the principle of relaxing policies, rejuvenating the economy, and supporting industrial development in townships and towns while earnestly strengthening control and ensuring the continuing improvement in the quality of products in townships and towns so that rural industries have even greater vitality." Control must be based on assistance and aid and it must lead to healthy development. The absence of control does not work nor does

excessive control. Consequently, we must emphasize the unity of township and town industry and state-run industry, have "equality for all" in quality, uphold standards, and have strict requirements. At the same time, we must keep in mind the various differences between township and town industry and state-run industry and require that they proceed from reality, seek truth from facts, and gradually achieve control. We believe that clarifying and stressing this way of thinking is advantageous to the sound development of township and town enterprises and to the overall state of the national economy.

III. The Supply of Raw Materials

This is the severest problem reported, it is also one of the three difficulties in assuring product quality in township and town enterprises. Comrades in Yangzhou report that township and town enterprises belong to the "chicken" family. They eat "food from wherever they can get it" and many are left over from the "previous term of service." If raw materials are not up to standard how can product quality be assured? We believe there are three methods for resolving this contradiction. One is that enterprises must strengthen quality checks and carry out strict inspections of incoming materials. Substitutes may be used only under the premise of not affecting the intrinsic quality of the products. Raw materials which even after treatment still affect the intrinsic quality of the product may not be used. The second is for the state to run a material-exchange center which would provide a proper place for township and town enterprises to purchase raw materials. The third is to set a "precedent" as far as state planned supplies are concerned. The raw materials needed for manufacturing products having to do with personal safety, for superior national, provincial, and ministry products, and for products exported by township and town enterprises that bring in foreign exchange must be handled in the same manner as in state-run enterprises. They must be brought into line with state plan for material supplies. There must be a fixed place for supplies and special materials are to be used for special purposes.

IV. Technological Advancement

The quality of enterprise technology is inferior. This is a difficult problem to solve. The general state of township and town industries throughout the country is as follows: less than 20 percent of the equipment was made in the 1970's and 1980's; over 60 percent was made in the 1950's and 1960's; and about 20 percent is basically primitive hand-operated equipment. If this problem is not solved, guaranteeing product quality will become hollow words. Thus we are stressing the following: the integration of work in quality control and technological transformation as well as making an effort to improve the level of technology in enterprises; gradually increasing the rate of depreciation and accelerating the renewal of equipment; and equipping enterprises with the appropriate imported technology. At the same time, the state should provide appropriate assistance in the form of finance and credit for technological transformation in township and town enterprises.

Skilled technicians are scarce. This, too, is a major problem facing township and town enterprises. According to statistics in Yangzhou, technicians constitute .07 percent of the total number of staff and workers. In Shandong they constitute .031 percent. We recommend the following: 1) Enterprises should be encouraged to employ various means to bring in talented personnel. Suzhou selected scientific and technical staff in authorized departments above the county level who were put to work in enterprises. This proved to be an effective method. 2) It should be required that authorized departments in township and town enterprises actively focus on work in training and in qualified areas run several vocational secondary schools and technical secondary schools. 3) Within the next 2 or 3 years the state should allocate an appropriate number of college graduates and graduates of technical secondary schools to work in control departments in township and town enterprises.

V. Control Offices

This is the third difficult problem. Comrades in the two provinces report that work in product quality in township and town enterprises was in the past not a matter of concern but is not a matter that concerns everyone. (The bureau in charge, the State Economic Commission and the departments of standards and measurements are all paying special attention.) We recommend that in principle there should be a division of labor among the departments in charge and departments under the management of businesses in work related to standardization, product evaluation, quality supervision, and the establishment of offices. It is necessary to make clear that authorized departments in townships and town enterprises must establish special offices to assign professional personnel and to stress work in product quality. The goal is both to exert strict control and to provide positive support so as to prevent the two trends of lax control or excessive controls and checks.

VI. The Implementation of the "Five Prohibitions"

Many comrades from all over report that the requirements of the "five prohibitions" proposed by the State Economic Commission are too severe. At present the great majority of township and town enterprises find it difficult to implement them. We believe that the "five prohibitions" are absolutely necessary for assuring product quality. The basic spirit of the "five prohibitions" is suitable for township and town enterprises. However, it is not very practical to simply impose the "five prohibitions" on rural enterprises. We feel that three adaptations may be made in the "five prohibitions." One is to stress the prohibition against using raw materials which affect the intrinsic quality of the product and, under the premise of assuring the intrinsic quality of the product, provide township and town enterprises with a "workable method." The second is that inspection offices need not all be uniform. As long as small-scale enterprises make specialists responsible, there is no problem. The third is that inspection procedures should be "small but complete." It is necessary to advocate socialization and require that enterprises have the essential inspection procedures.

Essential procedures refer to measuring devices controlled by the technological process and testing equipment for measuring quality parameters of products during inspection as products leave the plants. These are the basic conditions for assuring product quality. They are attainable with much hard work by most enterprises.

9864/12948

CSO: 4406/718

SMALL-SCALE ENTERPRISES

SICHUAN PROVINCE PLANS TO EXPAND RURAL TOWNS

OWO20840 Beijing XINHUA in English 0826 GMT 2 Jan 86

[Text] Chengdu, 2 January (XINHUA)--Authorities in Sichuan, China's most populous province, are drawing up plans to expand rural towns to meet the needs of the economic boom in the countryside.

An official of the provincial Construction Committee said here today that 95 percent of the province's rural towns had already completed their plans.

Nearly 200 towns have expanded public service facilities, industrial plants and housing accommodation over the past 2 years.

An extra 15 million square meters of premises have been built along rural streets, more than 800 waterworks have been constructed and an additional 95,000 kilometers of roads laid to link most of the towns.

These towns have also set up 6,000 market places, including 1,000 which can each hold more than 10,000 people.

More than 100,000 peasant families are now engaged in industry or commerce.

The official said funds for developing rural towns were raised mainly by the peasants themselves, while the province had trained architects to help them.

Datang Town, in Pujiang County near the Sichuan-Tibet highway, has grown from a small village into a trading center for agricultural and sideline products for 14 nearby townships.

New buildings have been built along its two 1.5-kilometer streets. One of two free-markets under construction has been opened. Sewers, water mains, high-voltage transmission lines and other infrastructure are being built.

More than 200 peasant families have left the fields to start up businesses in the town.

Local officials said Datang's annual trade turnover now topped 4 million yuan.

Wanjia Village, in Pengxian County, is known as a "peasant street." It has grown from a few small businesses to more than 300 shops, restaurants, hair-dressers, tea houses and other services. The daily volume of business exceeds 10,000 yuan.

SMALL-SCALE ENTERPRISES

BRIEFS

LEADER URGES DEVELOPING ENTERPRISES--Vice Governor Gabulong said at a provincial conference on township enterprises that Qinghai will vigorously develop these enterprises during the Seventh 5-Year Plan. By 1990 their output value should increase to 770 million yuan. In order to attain this goal, it is necessary to do a thoroughly sound job of the following tasks: 1. Enhance understanding and unify thinking, and organically integrate "no prosperity without industry" with "no stability without agriculture." Agriculture and industry should spur and support each other. 2. Make comprehensive use of the province's resources to develop competitive township enterprises with characteristics of the plateau and of the nationalities. 3. Seriously carry out [words indistinct] structural reform and rapidly popularize and perfect the various kinds of economic contract responsibility systems. 4. Do a good job consolidating the enterprises and improving their management. 5. Improve the technological level of the enterprises so as to boost their competitiveness. [Excerpts] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 14 Mar 86 HK] /12712

XINJIANG TOWNSHIP ENTERPRISES--According to the recent regional meeting of directors of township and town enterprise bureaus, the total income of the region's township and town enterprises in 1985 amounted to 1.05 billion yuan, an increase of 220 percent over 1980; their profits in 1985 were double those in 1980; and the taxes paid to the state by them in 1985 were nearly 700 percent more than in 1980. [Summary] [Uqumri Xinjiang Regional Service in Mandarin 1300 GMT 11 Mar 86 HK] /12712

OLD REVOLUTIONARY AREAS INSPECTED--Governor Ni Xiance and Vice Governor Jiang Zhuping have led more than 20 responsible cadres of departments concerned under the Provincial People's Government to the old revolutionary areas in southern Jiangxi to familiarize themselves with the situation and solve problems there. From 5 to 13 March, they were in Ningdu, Ruijin, Yudu, Ganxian, Shangrao, Chongyi, Dayu, and Nankang Counties as well as Genzhou City. They visited peasant families in townships and villages to inquire about their conditions. Ni Xiance and Jiang Zhuping fully affirmed the achievements made by the counties and city last year and presented specific views on how to speed the process of achieving prosperity in the old revolutionary areas. Ni Xiance said: The old revolutionary areas in Jiangxi have favorable conditions and great potential. It is important for them to select a point of breakthrough, proceed from realities, and formulate their own policies. These

counties and city were backward in the past because they did not take their local characteristics into consideration and formulate correct policies for economic development. In recent years, they have earnestly studied the reasons for their backwardness and have worked out appropriate solutions. Ni Xiance said: The rural economy is the focus of Jiangxi's economic work this year. To promote the rural economy we must concentrate our efforts on strengthening village and town enterprises and on diversifying the economy. [Excerpts]
[Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 20 Mar 86 OW] /12712

CSO: 4006/854

CONSTRUCTION

CHINA HOUSING CONSTRUCTION, DEVELOPMENT BUSINESS EXPANDS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 25 Nov 85 p 3

[Text] China Housing Construction and Development Corporation, the largest comprehensive agency of land development and housing construction in China, has managed more than 18 million square meters of various commercial buildings this year, accounting for about one-fifth of the nation's urban housing floor space. The volume of business totaled 3.5 billion yuan, more than four times the sum of the past 3 years.

Since the China Housing Construction and Development Corporation was established in 1982, the business has rapidly expanded, the started or completed floor space of commercial buildings has doubled and redoubled year after year. Up to now the various commercial buildings which have been developed total more than 25 million square meters. Of these, more than 11 million square meters have been completed for use, while 1.8 million households have moved into the new housing quarters. At present, the corporation has set up 102 branches in 99 cities of the nation's 27 provinces, municipalities and autonomous regions. They develop and manage mainly various residential housing, as well as office buildings, tourist facilities, general workshops and so on.

Since last year, more than 10 branches of the China Housing Construction and Development Corporation, in cooperation with local banks, have developed the housing construction business involving condominium purchases with prize and interest certificates. Certificates totaling 18 million yuan have been issued in Harbin City. The day the certificates were issued, more than 40 sales offices of the banks were packed with people.

An official of the Business Department of the China Housing Construction and Development Corporation said that, at present, peasants in the economically developed areas along China's coast and in the rural areas south of the Chang Jiang were eager to purchase houses. The corporation sold for the asking price more than 12,000 square meters of residential housing to workers and peasants in the small cities and towns in Fuyang City and Jieshou County of Anhui Province last year. The housing quarters quickly sold out. He indicated that in the future the business in commercial building construction and development will extend to the rural areas.

9335
CSO: 4006/400

DOMESTIC TRADE

ECONOMIC COOPERATION BETWEEN ANHUI, XINJIANG

Hefei ANHUI RIBAO in Chinese 20 Nov 85 p 1

[Article by Gao Lei [7559 7191]: "Anhui and Xinjiang Reach Agreement on Economic Cooperation Projects"]

[Text] To strengthen economic ties between the Xinjiang Uygur Autonomous Region and Anhui, a provincial economic and technical cooperation delegation conducted an 18-day study tour of the autonomous region from 21 October through 7 November during which economic cooperation was also discussed. The leader of the delegation was Zhang Zuoyin [1728 4373 5593], member of the standing committee of the Anhui Provincial People's Congress, and its deputy leaders were Qin Bin [4440 1755], member of the standing committee of the provincial Chinese People's Political Consultative Conference, and Zhang Fuduan [1728 3940 4551], deputy director of the provincial Economic Cooperation Office.

The province and the region reached agreement on the following major economic cooperation projects. Xinjiang's Economic Cooperation Office and supply and marketing cooperative have agreed to speed up the delivery to Anhui of close to 400 tons of wool and 3,500 pieces of cowhide within 1985. To solve the raw material shortage in our woolen spinning industry and secure a stable supply of wool, Anhui has concluded two compensation trade agreements with Gongliu County in Yili Prefecture and Fangcaohu Farm in the sixth agricultural production corps. Under the agreements, we will provide Gongliu County and Fangcaohu Farm with 5 million and 3 million yuan in capital, respectively. From the second year of our investments onward, the county and the farm will supply us 320 tons of wool each year for 5 years. In addition, the Economic Cooperation Office of Xinjiang has agreed to supply us with fine-breed sheep, improved varieties of forage grass, and animal husbandry technology to help us establish a husbandry base in such counties as Ding, Feng, and Jia. The provincial Light Industry Department will assist Yili Prefecture in setting up a goatskin shoe manufacturing plant while the prefecture is to furnish us with sheepskin. Furthermore, a shirt factory will be built in Yili, a cooperative enterprise between the provincial Light Industry Department and the prefecture. The department will also provide the prefecture with the technologies of manufacturing fructose beverages, broad bean chili sauce, and pickles. Xinjiang produces 50 million jin of melon seeds annually, of which two-thirds are sold to Anhui. Now our province's Wuhu Yingchun Melon Seeds Company has signed a 3-year contract with the supply and marketing cooperative of Xinjiang under which the company will purchase 3,000 tons of melon seeds from the region each year.

DOMESTIC TRADE

BRIEFS

SHANGHAI OFFICIAL AT GARMENT FAIR--An exhibition of best garments made in Shanghai opened at the main central hall of the Shanghai Exhibition Center on 16 March. This is the largest garment fair in Shanghai since the founding of the country. Major Jiang Zemin and other leading comrades attended the opening ceremony. Vice Mayor Ye Gongqi cut the ribbons for the exhibition. Displayed at the exhibition are some 4,000 new designs turned out by 326 factories and stores. Half of the garments are available for purchase. [Text] [Shanghai City Service in Mandarin 0100 GMT 17 Mar 86] /9365

CSO: 4006/860

FOREIGN TRADE AND INVESTMENT

JANUARY-SEPTEMBER CHINESE CUSTOMS STATISTICS

Beijing GUOJI SHANGBAO in Chinese 31 Oct 85 p 1

[Article by Wang [3769]: "Growth in Both Import, Export Trade in September According to Customs Statistics"]

[Text] According to customs statistics, from January to September of this year China's national import and export trade amounted to \$47.5 billion, of which exports accounted for \$18.69 billion and imports for \$28.87 billion. The trade deficit rose to \$10.18 billion. In September of this year China's import and export figure was \$6.03 billion, a 25.6-percent increase over the same period last year. Of this figure, exports accounted for \$2.41 billion and imports for \$3.62 billion, increases of 9.5 percent and 39.2 percent, respectively, over the same period last year.

Compared to the same period last year, major commodity exports that grew rather well included crude oil, grains, sugar, cans, vegetables, fur, filature silk, tin and tin alloys, fresh-frozen pork and finished oils. China's textile exports fell quite a bit compared to the same period last year because of continued restrictive policies adopted by the United States and other countries. Other falling exports were goatskin and tungsten ore.

Compared to the same period last year, major commodity imports that grew rather well continued to be electronics goods, steel, complete sets of equipment, and chemical fibers. Of these, televisions, radio-recorders, cars, steel, copper and copper alloys, aluminum and aluminum alloys, various complete sets of equipment and materials, chemical fibers for textiles, paper and cardboard, sheep wool, synthetic rubber and logs added \$620 million to China's imports. Major imported commodities that fell included grain, cotton, oil, sugar, manufactured fertilizer, zinc and zinc alloys, iron ore, natural rubber, and computers.

12615
CSO: 4006/453

FOREIGN TRADE AND INVESTMENT

SURVEY OF FOREIGN ECONOMIC LEGISLATION SINCE OPEN POLICY

Beijing LIAOWANG [OUTLOOK] in Chinese No 46, 18 Nov 85 pp 26-27

[Article by Wang Zhengming [3769 2973 2494]: "Substantial Progress in External Economic Legislation"]

[Text] The open door policy is a correct policy put forward by the 3d Plenum of the 11th CPC Central Committee. During the past few years, China has drawn up and promulgated a series of laws and regulations concerning external economic relations. They have promoted and safeguarded the introduction of advanced foreign technology, the attraction of foreign capital and the development of all kinds of international economic and technical cooperation.

Since the 3rd Plenum of the 11th CPC Central Committee, China has promulgated over 50 individual and sets of external economic laws and regulations. They can be classified as follows according to subject matter.

1. Laws and regulations on Chinese-foreign joint ventures: Joint ventures using Chinese and foreign capital are joint-stock companies founded on the principles of equality and mutual benefit. The Chinese and foreign partners of a joint venture share its operations, management, profits and risks and are both responsible for its losses. On 1 July 1979, the Second Session of the Fifth National People's Congress approved the "Law of the PRC on Joint Ventures Using Chinese and Foreign Capital," the first statute formulated by China to regulate the various relations a joint venture using Chinese and foreign capital may enter into when it is set up and terminated and during production and various operations. Supplementary legislation includes the "Income Tax Law for Joint Ventures Using Chinese and Foreign Capital," "Regulations for the Implementation of the Law of the PRC on Joint Ventures Using Chinese and Foreign Capital," "Registration of Joint Ventures Using Chinese and Foreign Capital," "Labor Management Regulations for Joint Ventures Using Chinese and Foreign Capital," "Provisional Regulations for the Use of Land by Joint Ventures Using Chinese and Foreign Capital," "Detailed Regulations for the Implementation of the Income Tax Law for Joint Ventures Using Chinese and Foreign Capital," "Provisional Measures for the Processing of Loan Applications by Joint Ventures to the Bank of China," and others.

2. Laws and regulations on Chinese-foreign cooperative enterprises and foreign-capital enterprises: Cooperative enterprises are a form of

contractual cooperative enterprise founded on the principles of equality and mutual benefit. The rights and obligations of the Chinese and foreign partners are spelled out in a cooperation agreement or contract. Partners in a cooperative enterprise are jointly involved in its operations and distribute profits in accordance with a method and formula specified in the contract. They assume risks jointly and are both responsible for profits and losses. Foreign enterprises are enterprises established under Chinese laws which use only foreign capital and are independently operated. The "Income Tax Law of the PRC for Wholly Foreign-Owned Enterprises," approved by the Fourth Session of the Fifth National People's Congress in December 1981, clarifies the kinds of taxes, tax rates and tax breaks applicable to Chinese-foreign cooperative enterprises, wholly foreign-owned enterprises, and other economic organizations doing business in China. The nation has also drawn up special legislation to regulate economic cooperation in a number of crucial areas, such as "Regulations for the Exploitation of Offshore Petroleum Resources with Foreign Cooperation," promulgated by the State Council in January 1982.

3. Laws and regulations on the development of foreign trade: It is in line with the needs of China's four modernizations to actively develop foreign trade on the principles of equality, mutual benefit, and supplying what the other nations need. Over the past few years, China has promulgated a number of laws and regulations pertaining to the improvement and strengthening of foreign trade management. Among them are the "Regulations for the Classified Control of Export Commodities," "Provisional Regulations for the Coordination of Export Commodities," "Provisional Regulations of the PRC for the Licensing of Import Commodities," "Regulations of the PRC for the Quarantine of Exported and Imported Animals and Plants," and "Customs Tariffs of the PRC for Imports and Exports," all promulgated by the State Council; "Provisional Measures for the Licensing of Exports," promulgated by the former State Import and Export Control Commission and the former Ministry of Trade; and the "Circular on Questions Relating to the Classified Control of Export Licenses," issued by the Ministry of Foreign Economic Relations and Trade.

Since 1979 China has been encouraging export-oriented small and medium-scale processing and assembling industries as a means of nurturing our own exports and increasing foreign currency income. On 26 March 1979 the State Council promulgated the "Provisional Measures Governing the Use of Imports To Promote Exports" and called upon the nation to aggressively develop exports by fully exploiting foreign raw materials and technology to enhance domestic production capabilities. On 3 September the same year, the State Council issued the "Measures for Developing Export-oriented Small and Medium-Scale Processing and Assembling and Compensation Trade," which demands that we tap our labor and natural resources and production potential and, through processing, assembling and compensation trade, raise the technical level of our exports, improve product quality and variety, step up export commodity production, and expand foreign trade.

To inject life into the economy in border areas, satisfy the production and daily needs of their inhabitants and develop friendly relations with neighboring countries, China has launched small-scale trade between border towns. With the permission of the State Council, the Ministry of Foreign Economic Relations and Trade promulgated on 20 December 1984 the "Provisional

Control Regulations for Small-Scale Border Trade," which allows border towns to conduct small-scale trade in accordance with these principles: that they must find their own source of merchandise, look for markets themselves, conduct negotiations on their own, maintain their own trade balance, and be responsible for their own profits and losses.

To further develop foreign trade, the foreign trade system must be reformed. In September 1984 the State Council commented on the "Report on Opinions on the Restructuring of the Foreign Trade System" submitted by the Ministry of Foreign Economic Relations and Trade, and put forward a number of principles which foreign trade reform must follow: (1) separation of government from enterprises; the ministry will remain in overall control; (2) an agent system should be set up for foreign trade; and (3) industry must be integrated with trade, trade must be integrated with technology, and exports must be integrated with imports.

4. Laws and regulations to encourage invention, innovation, and the import of advanced foreign technology: To upgrade China's technical standards and production capability, we must encourage invention and innovation and actively import advanced technology suited to China's circumstances. Many laws and regulations have been drawn up in this area since the 3d Plenum of the 11th CPC Central Committee. The most important ones are the "Patent Law of the PRC" approved by the standing committee of the National People's Congress on 12 March 1984 and the "Detailed Regulations for the Implementation of the Patent Law of the PRC" promulgated by the Patent Bureau with the State Council's approval on 19 January 1985. These two pieces of legislation explicitly provide for a patent system in China to safeguard all Chinese and foreign inventions, utility models, and industrial designs which have applied for and been granted a patent. The implementation of the "Patent Law" has not only boosted inventions at home but also facilitated the transfer to us of foreign technology. In addition, the State Council has issued the "Regulations for the Control of Technology Import Contracts."

5. Legislation on foreign economic contracts: As foreign economic relations become more elaborate, external economic contracts in all their diverse forms have also proliferated. Hence the need for a law to set out clearly the procedures for the conclusion, implementation, amendment, abrogation and termination of a contract, and spell out the liabilities of breaking a contract and the settlement of contract disputes. On 21 March last year the standing committee of the National People's Congress approved and promulgated the "Foreign Economic Contract Law of the PRC." Under this law, a foreign economic contract must comply with the following basic principles: first, it must be concluded in accordance with the laws of the PRC and shall not impair its social and public interests; second, it must be established on the basis of equality, mutual benefit and mutual consent; and third, established international practices are to be used as reference.

The "Foreign Economic Contract Law" clarifies certain issues of general interest to foreign businessmen. First, it allows the signatories to a contract to select the law under which their contract disputes are to be settled. However, contracts signed in China on joint ventures and cooperative enterprises and those on the prospecting and development of natural resources

must apply Chinese laws. Second, a contract dispute may be submitted for arbitration either in China or in another country. Third, where Chinese laws are silent, the relevant international practice shall prevail.

6. Laws and regulations on the Special Economic Zones [SEZ's] and 14 opened coastal cities. Learning from the experience of some nations in the establishment of export processing zones and combining it with our actual conditions, including the need to develop foreign economic and technical cooperation, China has set aside certain areas in Shenzhen, Zhuhai, and Shantou, all in Guangdong Province, and Xiamen, Fujian, as SEZ's. On 26 August 1980, the standing committee of the National People's Congress approved the "Regulations for SEZ's in Guangdong Province" and on 2 April 1985 the State Council promulgated the "Regulations for the Control of Foreign Banks and Banks Using Chinese and Foreign Capital in SEZ's." Additionally, Guangdong and Fujian have drawn up local rules and regulations pertaining to their SEZ's.

To strengthen the role of our coastal cities and ports in the development of foreign trade and the promotion of international economic cooperation and technical exchange and accelerate their development, we decided to open 14 such cities to the world. Economic and technical development zones are set up within these cities and foreign companies; enterprises and individuals as well as those from Hong Kong and Macao are welcome to invest there. On 15 November 1984 the State Council promulgated the "Provisional Regulations for the Waiving and Reduction of Corporate Income Tax and Industrial and Commercial Unified Tax in SEZ's and 14 Opened Coastal Cities," giving preferential tax treatment in the form of tax exemption or tax cuts to Chinese-foreign joint ventures, cooperative enterprises and wholly foreign-owned enterprises in the SEZ's and coastal cities.

7. Laws and regulations on foreign exchange control: On 18 December 1980 the State Council promulgated the "Provisional Regulations for Foreign Exchange Control," stipulating the principle of "centralized control, unified management" for foreign exchange and providing for the distribution of part of our foreign exchange income. This was followed by the "Detailed Control Regulations on the Import and Export of Foreign Exchange, Precious Metals and Bills of Exchange," "Detailed Foreign Exchange Control Regulations for Enterprises Using Overseas Chinese Capital and Chinese-foreign Joint Ventures," "Regulations on the Import and Export of Gold and Silver," and "Detailed Regulations for the Punishment of Offenders of Foreign Exchange Control." Some of these regulations were issued by the government departments in charge while others were submitted to the State Council for its approval and promulgation.

To make use of foreign exchange and funds absorbed by banks, develop commodity production for export and other economic undertakings, and increase foreign exchange earnings, the State Council issued in August 1980 the "Regulations for Short-Term Foreign Exchange Loans by the Bank of China." The thrust of foreign exchange loans is to support enterprises producing export commodities in tapping their potential and in modernizing and restructuring themselves. Later the Bank of China also issued in succession "Detailed Regulations for Short-Term Foreign Exchange Loans," "Measures Concerning the Trial Use of

Preferential Interest Rates for Short-Term Loans by the Bank of the China," and "Regulations for the Trial Offering of 'Special Foreign Exchange Loans' by the Bank of China."

In order to actively and effectively make use of foreign capital and develop a firmer grip on the nation's indebtedness, the State Council also issued in April 1983 the "Circular on Questions Relating to China's Foreign Debts."

To sum up, we have made substantial progress in foreign economic legislation since the 3d Plenum, which has become a principal safeguard for our open door policy. At present we are perfecting our economic legislation and working intensively on formulation of the "Company Law," "Bankruptcy Law," "Maritime Law," "Chinese-Foreign Cooperative Enterprise Law," "Foreign Enterprise Law," "Foreign Trade Law" and so on. We believe that our economic and technical cooperation with the world will definitely advance to a new high as the national economy continues to develop in a coordinated way and as our socialist legal system continues to improve.

12581

CSO: 4006/427

FOREIGN TRADE AND INVESTMENT

FOREIGN TRADE TASKS OUTLINED BY MINISTER

Beijing GUOJI SHANGBAO in Chinese 11 Nov 85 p 1

[Article by Li Bida [2621 3968 6671]: "Recognize New Situations, Study New Tasks; 1985 Annual China International Trade Association Meeting Satisfactorily Concluded"]

[Text] The 10-day 1985 annual meeting of the China International Trade Association satisfactorily concluded in Beijing on 6 November. Association Chairman Zhou Huamin [0719 0553 3046] presided. More than 140 economists and trade experts, scholars and leading comrades in the forefront of business around the country attended. Comrades in attendance probed theories and practical questions regarding China's foreign trade development strategy, reform of the foreign trade system, and improving foreign trade economic results during the Seventh 5-Year Plan and the next 10 years.

China's Current Foreign Trade Situation and Tasks

At the opening ceremony Zheng Tuobin [6774 2148 1755], minister of the Ministry of Foreign Economic Relations and Trade [MOFERT], made a brief and succinct introduction to the new situation confronting China's foreign trade. He said that China's foreign trade developed very quickly in the past year. The position of foreign trade in the construction of China's four modernizations and in world trade is much more important than it was before. Nevertheless, the task confronting us now is extremely arduous. We still lack a set of mature methods and measures for realizing our strategic targets and tasks. Many questions still demand our scrutiny and study. We now have a further understanding of two questions: We must pay particular attention to foreign exchange questions, and we must give precedence to reform. Reform cannot stop; it must steadily advance. We shall reform that of which we are sure and temporarily not move on that about which we are unclear.

He holds that China's foreign trade development currently is confronted with many new tasks. First, how can we make more foreign exchange; second, how do we establish an export product production system? We cannot set up bases again as before. We must adopt new principles, policies and methods. What can we do after all? We must solve problems while groping along and elaborate on theories. Management questions await further study next. There currently are 3,000 enterprises throughout China that directly trade with foreign countries. More than 1,000 of them are joint ventures that have already begun

to engage in direct foreign exports. Under these conditions how should they be managed? What is the future direction of management? In the end, do specialized companies or general commercial associations) have priority? These questions must be explored in theoretical terms and tested in practice.

Perfect and Expand Export Policies and Measures

On the issue of how to expand exports during the Seventh 5-Year Plan, Liu Hengye [0491 1854 0396], former MOFERT General Planning Bureau director, feels that:

First, two changes must be made in the product mix, i.e., primary goods must become finish-machined goods. Toward this end we must establish an export product production system. We must combine our domestic strengths and establish a group of backbone industries as export pillars according to the demand for exports. To establish an export product production system we must first choose our strengths and bases and not attempt to establish them indiscriminately. Taking cotton as an example, some 10 or more provinces now grow it. In the future it must be concentrated and tailored to foreign sales needs in terms of varieties and processing. Second, we must determine economic and technical assessment norms for specialized plants and bases. Third, the production of specialized plants and bases must be arranged around export demands, according to the "trade, industry, agriculture" order of priority. Fourth, we must give economic incentives and political glory to enterprises that produce exports.

Next, we must implement policies to encourage exports. This includes a series of questions related to fiscal administration, customs and taxes, exchange rates and foreign-exchange retained profits.

Third, we must strengthen administrative management, including the management of planning, enterprises, licenses and distribution.

Fourth, policy must deal skilfully with the relationships between the interests of the overall ministry and its various departments.

Fifth, we must perfect legislation. We must utilize legal systems to facilitate matters related to foreign trade.

Continue To Stress Foreign Trade System Reform

Although representatives at the meeting held differing opinions regarding reforming the foreign trade system, they have a better understanding for having discussed it. That is, we must uphold the reform, otherwise there is no hope of export growth during the Seventh 5-Year Plan. Shen Jueren [3088 6030 0086], director of MOFERT's Foreign Trade Administration Bureau, feels that:

We must implement an overall cleaning and rectification of foreign trade enterprises nationwide during next year's reform of the foreign trade system. Based on the foreign trade administration system for all enterprises, with regard to enterprises that earn foreign exchange without state authorization

or that have no management abilities, those that ought to be disbanded or merged will be. During the clean-up and rectification, those enterprises that disrespect the foreign trade administration system and the approved scopes of business, that jack up domestic prices to win sales, drop foreign prices to compete for sales, or that engage in illegal business must be investigated and punished. Illegally operating "briefcase" companies in particular must be firmly banned.

Based on the needs of foreign business, we must in a planned way approve a group of large- and medium-size producers who show promise to handle foreign trade directly, and bestow the appropriate foreign trade authority. The emphasis must be on technology-intensive producers, such as the mechanical, metallurgical and electronics industries.

We must set up trial integrated import/export companies and gain experience in the overall reform of the foreign trade system on the basis of summing up experience while developing roles for specialized companies without adversely affecting goods handled under uniform state regulations.

12615

CSO: 4006/453

FOREIGN TRADE AND INVESTMENT

SUBSTANDARD, BOGUS IMPORTS REPORTED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 20 Nov 85 p 1

[Article: "Many Quality Problems with Electronic Imports; Inspection of 59 Batches of Goods Finds 32 Batches Below Standards"]

[Text] According to reports in the ZHONGGUO DIANZI BAO [CHINA ELECTRONICS], the No 5 Research Institute of the Ministry of Electronics Industry made quality inspections on 59 batches of imported electrical goods this year between April and September. The results indicate that the quality of 32 batches, or 54.2 percent of the number inspected, was not up to standards. The value of the substandard products was \$5.93 million, or 73 percent of the total value of the goods inspected.

Serious problems still exist in terms of the quality of imported electrical products, especially electrical products imported from Hong Kong, many of which are poor quality counterfeits or goods bearing fake brand names. For example, the No 5 Research Institute found that more than 1.88 million items in 11 batches valued at \$5.32 million bore fake trademarks as Sharp 838 calculators. The goods were handled by major Hong Kong sellers such as Kangdao [1660 6670] Industries Ltd., Lianyue [5114 2867] Whole Tone Co., and the Fu Xing [4395 5281] Trading Co. In all cases the quality was substandard.

In order to prevent these inferior quality foreign products from pouring into China, the Ministry of Foreign Economic Relations and Trade, the Ministry of Commerce, and the State Commodity Inspection Bureau recently announced joint "Temporary Measures for the Inspection and Control of Imported Household Appliances." These regulations provide that within time limits set by contract, imported household appliances must be inspected by the Commodity Inspection Bureau or by an inspection organization authorized by it. Imported household appliances that are not inspected will not be allowed to be sold, nor will parts be allowed to be assembled.

12615
CSO: 4006/524

FOREIGN TRADE AND INVESTMENT

JIANGSU ACTIVELY OPENS EXPORT TRADE CHANNELS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 20 Nov 85 p 3

[Article: "Taking Advantage of Proximity to Ocean Reliance and Increasing Ocean Shipping Lines, Jiangsu Actively Opens Export Trade Channels; Export Value of Previous 10 Months Reaches \$1.2 Billion"]

[Text] Jiangsu Province, the nation's leader in gross value of industrial and agricultural output, is presently in the midst of actively preparing to open international ocean shipping lines from the port of Zhangjia to Singapore, and from the port of Nantong to Singapore, Australia and elsewhere, to expand its export trade channels. Jiangsu Province Foreign Economic Relations and Trade Commissioner Xiong Renmin [3574 0086 3046] told this to reporters the other day.

For the past several years Jiangsu Province's foreign trade transportation situation has been steadily improving. Regarding ocean transport lines alone, 19 lines have already been started up, thereby establishing ocean transport connections between Jiangsu and over 230 ports in the world. Among these are included Zhangjia-Hong Kong-Northwestern Europe, Nantong-Kobe, Zhangjia-Hong Kong-United States, and other countries and regions such as Canada, the Mediterranean, the Persian Gulf, and East and West Africa.

By the end of this October, the total value of Jiangsu's exports reached \$1.226 billion, an increase of \$38 million over the same period last year. Xiong Renmin revealed that estimates of Jiangsu's exports this year surpass the plan and new development can be expected next year.

By the end of September, the province's main export goods such as clothing, metals and minerals, and chemical products had already fulfilled the export plan for the year ahead of time. Foreign exchange earnings for the above three categories of exports increased over the same period of last year by 18 percent, 40 percent, and 65 percent, respectively. Of the 11 cities in Jiangsu's main exporting areas, 5 have already completed this year's export earnings plan. The port city of Lianyungang that is now open to the outside has already overfulfilled the export earnings plan for the year one season ahead of schedule.

In the past year Jiangsu's exports to the Soviet Union, Eastern Europe, and to the European Economic Community countries has clearly increased. Through September, exports to the Soviet Union and to the EEC increased by 14.6 percent and 11.4 percent, respectively, over the same period last year. Jiangsu established economic and technical cooperation with the United States, Panama, and Hong Kong this year.

12615

CSO: 4006/524

FOREIGN TRADE AND INVESTMENT

XINJIANG HOLDS CONFERENCE ON FOREIGN TRADE WORK

HK150345 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 14 Mar 86

[Excerpt] A regional conference on foreign economic relations and trade, which concluded today, demanded that the foreign trade departments at all levels adopt a variety of methods to help enterprises in turning out products for export so as to increase the sources of export goods and improve economic results.

The meeting held that Xinjiang's foreign economic relations and trade have developed relatively fast in recent years. However, there is a lack of sources of best-selling export commodities, the quality of some commodities is not steady, types, styles, and packaging fail to meet the needs of the international market, and the region's ability to make foreign exchange from exports is low.

The meeting was held to achieve still greater development in the region's foreign economic relations and trade work. It is first necessary to solve the problem of producing goods for export. The foreign trade departments must seriously implement the policy of allowing the producing enterprises to retain some of their foreign exchange and of presenting awards for exports, so as to stimulate the enterprises' enthusiasm for turning out export goods. At the same time it is necessary to take full advantage of Xinjiang's strong points in resources, and take stock of and readjust the existing export commodity production bases. A number of new bases producing cotton, pears, and [word indistinct] should be set up. We should also organize some factories specializing in the processing for export of Hami melons, animal byproducts, woolen and cotton textiles, and chemicals.

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CSO: 4006/860

FOREIGN TRADE AND INVESTMENT

SICHUAN PROVINCIAL CONFERENCE ON TOURISM ENDS 10 MAR

HK140647 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 10 Mar 86

[Excerpts] The provincial conference on tourism, which was held by the provincial government in Chengdu, concluded yesterday [10 March]. Governor Jiang Minkuan; (Xu Shiqun), member of the provincial CPC committee standing committee and director of the provincial foreign affairs office; and Jiang Zeting, secretary general of the provincial government, attended the conference and spoke.

Since the second half of 1978, 13 cities and counties in the whole province have been gradually opened to outside tourists and the province has had some 80 tourist spots and received some 350,000 Chinese and foreign tourists. Last year, the whole province earned foreign exchange equivalent to some 35.4 million yuan from tourism. Our province has laid an initial foundation of tourist work and won a certain reputation at home and abroad.

The conference held: While advancing steadily, we must develop tourist work in our province in 1986. We must try in every possible way to improve the tourist facilities which should be urgently improved and increased, strengthen the training of qualified personnel, and improve the political quality of the tourism ranks. We must strengthen propaganda to the outside world so as to get more tourists from abroad.

This conference also formulated Sichuan Province's Seventh 5-Year Plan for the development of tourist work.

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FOREIGN TRADE AND INVESTMENT

SHANDONG INVESTIGATES EXPORT PRODUCERS

Beijing GUOJI SHANGBAO in Chinese 11 Nov 85 p 1

[Article by Zhang Lin [1728 7207]: "Shandong Makes Overall Investigation of Enterprises That Produce Commodities for Export; Lay Foundation for Establishing an Export Production System; Thoroughly Understand Enterprises To Carry Out Their Technological Transformation"]

[Text] The Shandong Foreign Economic Relations and Trade Bureau recently launched a comprehensive investigation of enterprises that produce commodities for export.

There currently are more than 1,300 such enterprises in Shandong. Confusion concerning these enterprises' situations and a certain blindness in handling production and technological transformation affected the full development of their zeal for exports in the past. This investigation is to sound out the basic situation of exporters, and based on development trends in the international market, to rationally arrange for the production of exports in light of the enterprises' current situations; to propose plans and ideas for implementing technological transformation; to improve product quality, increase the varieties, styles, and colors of goods; to accelerate the upgrading of goods; and to enhance export competitiveness.

The investigation has three parts. The bureau will: (1) Investigate the equipment, technical levels, personnel quality and other basic conditions of enterprises as well as their export volume, product quality and foreign exchange earnings in recent years. (2) Investigate the enterprises' major problems and seek opinions from the departments in charge of those enterprises regarding their utilization and transformation. (3) To create a good basis for an export commodity production system, based on the investigation, make a comprehensive analysis and determine whether those investigated are fit to engage in the production of exports. The bureau will offer opinions regarding technical transformation and future product development trends, concurrently establish enterprise files and establish specialized exporting plants and mines in the next step of reform.

During the investigation all foreign trade bureaus will be responsible for organizing and making an overall investigation of the existing export commodity producers in their own areas. They will provide basic information

to all provincial import/export branches. All provincial import/export branches and industrial trade companies will be mainly responsible for investigating their own companies' backbone and promising products. Along with all foreign trade bureaus and branch companies and those in charge of local industry, they will also study and offer concrete advice regarding the technological transformation of industries and specific projects to develop export production. On this basis the provincial foreign trade bureaus can, together with concerned local and municipal foreign trade bureaus and provincial companies, make a thorough study of key exporters and key products province-wide. While synthesizing the overall investigation with the provincial departments concerned, they will jointly study and formulate policies and measures to encourage enterprises to produce and expand exports and formulate long-term technological transformation plans for exporters province-wide.

The entire investigation began in October of this year and can be completed in January of 1986.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

SHANGHAI'S EXPORT VOLUME--Shanghai, 14 Mar (XINHUA)--By the end of February, the total value of commodities exported by Shanghai had reached \$497 million, 11.8 percent more than the same period last year. In order to meet the needs of foreign trade, Shanghai's industrial departments, in addition to accomplishing the task of producing products required in export plans, have organized some factories engaged in producing products for domestic markets to produce products which have been in great demand in the international market. Foreign trade departments have also actively helped local enterprises modernize their production technology and improve their production capability in order to meet the needs of the international market.

[Summary] [Beijing XINHUA Domestic Service in Chinese 0048 GMT 14 Mar 86 OW]
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ZHEJIANG COMMODITY EXPORT--Hangzhou, 13 Mar (XINHUA)--In 1985, 1,026 rural enterprises in Zhejiang exported commodities worth 360 million yuan in total, an increase of 38 percent over the previous year. The Yinxian County Poultry Cold Storage Plant exported 273 metric tons of frozen duck last year alone.

[Summary] [Beijing XINHUA Domestic Service in Chinese 0051 GMT 13 Mar 86 OW]
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ZHEJIANG GOVERNOR OPENS HANGZHOU GUESTHOUSE--Hangzhou's Wanfu Guesthouse was formally opened for business on the afternoon of 17 March. Xue Ju, governor, and Han Kehua, director general of the National Tourism Administration, cut the ribbon at the opening ceremony. Provincial and city leading comrades, including Tie Ying, Xu Qichao, Wang Jiayang, and Li Dexin were present. During an inspection tour of Hangzhou last April, Comrade Hu Yaobang wrote an inscription for the guesthouse, which says: Guests are invited to drink in the beauty of Xi Hu, Chinese friendship will be unforgettable to friends.

[Excerpts] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT
17 Mar 86] /9365

DINGAN EXPANDS FOREIGN TRADE--Through party rectification, foreign economic relations and trade departments in Dingan County have drawn a bitter lesson from the imported car incident, corrected their guiding thinking about their profession, and shifted the focus of foreign economic relations work to giving full play to superiorities in local natural resources and to developing products for export to earn more foreign exchange. They have set up enterprises for earning foreign exchange and bases for producing goods for export,

with a view to striving to export more products and earn more foreign exchange. Since the second half of last year, they have actively sent people to areas outside the county and invited people from other areas to the county to hold business talks with more than 30 foreign and Chinese economic organizations on developing cooperative projects exploiting local natural resources to earn foreign exchange. [Excerpt] [Haikou Hainan Island Service in Mandarin 0400 GMT 12 Mar 86] /9365

SHANGHAI SINO-U.S. JOINT VENTURE--Shanghai, 10 Mar (ZHONGGUO XINWEN SHE)--Shanghai Conie [Kang Ning 1660 1337] Engineering Corporation formally started business today. This is an enterprise jointly funded by American Connie Glass Manufacturing, Shanghai special-purpose wireless engineering works, and New York China trade center. Its business includes: Designing, manufacturing, and selling advanced equipment for the glass industry and contracting for complete projects necessary for this equipment, such as civil glassware, black and white and color TV screens, lighting installations, electron tubes, and the special equipment for the use of glasswares in laboratories and hospitals. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1309 GMT 10 Mar 86] /9365

FUJIAN FOREIGN TRADE GROWTH--Foreign trade exports increased during the 3d quarter in Fujian Province. import and export trade is beginning to show improvement. In the first half of this year Fujian expanded its commodity business through overseas exhibits and sales. In the 3d quarter, the organizations having many channels for effective sale of goods increased the speed of exports, and the volume of exports increased 13.7 percent compared to the same period last year, higher than the national average. Compared to the first half of the year, 3d quarter monthly earnings were up by \$14 million. According to the departments concerned, one of the main reasons for Fujian's improvement in 3d quarter foreign trade is that in addition to maintaining the level of steel and construction materials imports, automobile and videotape recorder imports were halted while television imports were reduced to a very low level. This proves that the concerned departments have effectively controlled imports of high-grade consumer goods. [Text] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 23 Oct 85 p 3] 12615

CSO: 4006/524

SPECIAL ECONOMIC ZONES

NANFANG RIBAO ON SHEKOU INDUSTRIAL ZONE DEVELOPMENT

HK211127 Guangzhou NANFANG RIBAO in Chinese 28 Feb 86 p 2

[Investigation report on Shekou's economic development by Yu Mingtao [0060 2494 3447], Zhang Gensheng [1782 2704 3932], and Xu He [1776 6320]: "A Very Successful Outward-oriented Industrial Zone"]

[Text] The Shekou industrial zone became our country's first outward-oriented industrial zone after our country began to implement the policy of opening up. It is part of the Shenzhen Special Economic Zone and is an economic entity run by the Hong Kong China Merchants Steam Navigation Co. Ltd. It has an area of about 4.5 square kilometers. From July 1979, when the Shekou industrial zone began its development, to the end of last year, the investment in the capital construction of the industrial zone amounted to 313 million yuan. A relatively high investment environment has been initially formed. Over the past 7 years, the party committee and administrative committee of the Shekou industrial zone have been using economic measures to develop the industrial zone and paying particular attention to the economic results of the industrial zone. They have been adhering to the principle of "stressing three aspects," and now an outward-oriented economic structure has been basically formed in Shekou. They have been sticking to the criterion of cadres' "four transformations," and have also employed and trained a contingent of cadres who can meet the needs of the work in the special zone. They have been adhering to the principle that leading comrades should set an example for the masses and paying great attention to the improvement of party style and the improvement of the general mood of the society. The Shekou industrial zone offers many attractions to foreign businessmen. By last September, the Shekou industrial zone had already signed 206 agreements with foreign and domestic businessmen and business firms. According to these agreements, Shekou will receive a total of HK\$2.5 billion of investment, among which foreign investment accounts for HK\$1.1 billion.

Over 50 industrial projects have been built and gone into production, and Shekou's commerce, service trades, building industry, and so on have also developed rapidly. There are 14,500 workers in the industrial zone. The fixed assets of the enterprises directly under the industrial zone amount to 170 million yuan (original value). In 1985, the total industrial output value of the Shekou industrial zone amounted to over 700 million yuan. In recent years, most of the industrial products of the Shekou industrial zone have been

exported, so the Shekou industrial zone has had a good balance between foreign exchange earnings and expenditure, and has thus made great contributions to the country. The great change in Shekou, which used to be a bleak and barren area along the coast of the South China Sea, has fully proved that the policy of opening up formulated by the central authorities is correct. It has provided experiences which can be used for reference in further opening up and developing the economic and technological development zones.

I. Adhering to Economic Measures in Administering the Industrial Zone and Paying Great Attention to Economic Results

Construction of the Shekou industrial zone began in 1979. The industrial zone began to recover its invested funds in 1982. In 1982, the Shekou industrial zone recovered 5.21 million yuan of invested funds. In 1983, 1984, and 1985, the Shekou industrial zone recovered 14.27 million yuan, 31.26 million yuan, and 52 million yuan of invested funds, respectively. To date, the Shekou industrial zone has recovered 100 million yuan of invested funds, which accounts for 30 percent of the total amount of investment in the capital construction of the industrial zone. After 1986, some of the enterprises in the industrial zone will increase their productive forces, and the enterprises which went into production earlier will increase their speed of investment recovery, for their tax-free period will expire.

That the Shekou industrial zone has achieved good economic results is because the Shekou industrial zone has been run with economic measures and not administrative measures.

1. The industrial zone being run by an enterprise has stopped the practice of "eating from the same big pot." The industrial zone is now being run by the Hong Kong China Merchants Steam Navigation Co. Ltd., which is a very big enterprise. In the beginning, the Hong Kong China Merchants Steam Navigation Co. Ltd. invested 50 million yuan (which was actually loaned and expected to be repaid later plus interest) in the industrial zone. Later, the main investment in the capital construction of the industrial zone came from loans provided by Hong Kong and domestic banks. The longer they use the loans, the more interest they will have to pay. This situation has made the industrial zone not only want to repay the loans, but also want to pay them off as quickly as possible. So when the Shekou industrial zone was being built, it paid great attention to the input and output of funds and carefully calculated the use rate and turnover rate of funds. The industrial zone also firmly established three concepts of value: The first is to calculate the time value of funds in terms of profits; the second is to calculate the input value of funds in terms of costs; the third is also to calculate the time value of funds in terms of interest. When a cent is put in, its output ought to be calculated and the input must be kept within the limits of the output. As a result, over the past few years, the scope and speed of the capital construction in the industrial zone have been kept under proper control. The industrial zone has not only paid attention to its input but also paid attention to its output. Thus the industrial zone has been developing according to the laws of economics.

[HK211129] 2. Running enterprises through economic measures. In order to develop highly technological industries, good basic facilities and services are needed so as to provide water, electricity, communications, transport, storage, labor force, and so on to the factories. The industrial zone has established more than 10 companies directly under it which provide necessary services through economic measures. The administrative committee does not interfere in the activities of these companies through administrative measures, but instead, macroscopically controls them through economic measures and makes decisions for them in "five aspects" (the administrative committee will decide the tasks, personnel, costs, circulating funds, and profits of enterprises) and delegates the power of organizing personnel, the financial power, and the power of independent management to the enterprises. After turning over profits to the state, the enterprises are allowed to freely dispose their funds and establish joint ventures with foreign companies and enterprises by cooperating with other units in the country. This relatively independent decision making power has greatly aroused the enthusiasm of the enterprises and invigorated the microeconomy.

The industrial zone has paid great attention to carrying out readjustment by making use of the economic levers. The delegation of power has made the financial resources relatively decentralized. The funds of some enterprises being left idle lowered the use rate of funds. So in July 1984, the industrial zone established an "internal accounting center" to strengthen the macroscopic control of funds. This "internal accounting center" is just like a fund dispatching office which controls the industrial zone's surplus funds and coordinates the surplus and shortage of funds so that the power of using funds has become relatively centralized and the funds can be used after considering the overall situation of the industrial zone and by preserving the ownership of funds. This has greatly increased the efficiency in using funds and has enabled the industrial zone to save one-third of the circulating funds. Last August, the "internal accounting center" developed into a financial company whose business has greatly expanded. It has also controlled on a trial basis the distribution of salaries and the accounts concerning salaries. The salaries are directly transferred into the workers' accounts in the company so that the workers can withdraw cash from the financial company at any time if they have their credit cards. This has accelerated the circulation speed and reduced the amount of funds kept in stock by the enterprises and in the hands of the citizens. This has also prevented runaway financial resources and enabled the industrial zone to make full use of its funds, thus raising the use rate of funds.

3. Running enterprises by enacting economic regulations and decrees. The industrial zone has implemented the manager (factory director) responsibility system in the independently owned enterprises, joint ventures, and cooperative enterprises under the leadership of the board of directors. The industrial zone will not interfere in the management policy of enterprises through administrative measures. The enterprises will have complete decision making power in the affairs concerning personnel, finances, materials, property, supply, and marketing. The industrial zone will not administratively interfere in these affairs. The industrial zone will mainly administrate and supervise the enterprises by enacting economic regulations and decrees.

Most of the enterprises in the industrial zone are enterprises with exclusive foreign investment or are joint ventures. Over the past few years, owing to the lack of economic legislation, some of the enterprises in the industrial zone have done things according to their own will. They have refused to hand in, delayed to hand in, or even handed in false report forms. Some enterprises have not paid their business income tax to the proper authorities; for example, a certain joint venture has refused to pay more than 700,000 yuan of business income tax to the proper authorities over the past 4 years. There are a number of problems existing in the administration of the joint ventures and independently owned enterprises of the industrial zone. Last June, the Shekou industrial zone administrative bureau promulgated the revised "provisional regulations for the statistical work of the Shekou industrial zone" and promulgated the "regulations concerning rewards and penalties in the statistical work of the Shekou industrial zone" last July. The Shekou administrative bureau also established legal statistical departments in a unified way. As a result, most of the joint ventures and independently owned enterprises began to hand in their report forms on schedule. The whole situation began to improve. A certain steel plant which had previously and illegally refused to hand in its report forms, now admitted its wrongdoing and paid a fine after the statistical bureau prosecuted it in court.

The legal system consists of both the enactment of laws and the enforcement of laws. Our regulations and foreign-related tax law concerning the special economic zones were promulgated long ago. But in the early days of the special zone, unclear responsibilities for enforcing the law caused confusion in the taxation work. After the establishment of the Shekou administrative bureau, the industrial zone recovered over 1.8 million yuan in taxes which had been in arrears, with the help of the bureau. The comrades of the Shekou industrial zone administrative committee deeply feel that opening up to the outside world and importing advanced foreign technology and equipment must be carried out simultaneously with the enactment of laws. Apart from foreign-related state law, there should also be some management regulations and decrees which are suited to the local situation. The Shekou industrial zone has already drafted 13 regulations and decrees which will soon be perfected and implemented in the area.

[HK211131] II. Stick to the Policy of "Stressing Three Aspects" and Establish an Outward-oriented Economic Structure

When the Shekou industrial zone was first established, it put forward and stuck to the construction policy of "stressing industry in production structure, stressing the import of foreign funds in establishing enterprises, and stressing export in product sales." The work has been centered on the import of advanced foreign technology and foreign funds, and the construction and management of industrial enterprises. Among the 200 projects for which contracts have been signed, there are 91 industrial projects involving an investment of HK\$2 billion, which accounts for 79.35 percent of the total volume of investment in the industrial zone. To date, more than 50 factories have been constructed and gone into production, and over 100 kinds of industrial products have entered the world market. The total industrial export

value in the year 1984 was HK\$1.43 billion, which accounted for 66.7 percent of the total output value of the industrial zone. In 1985, the total industrial export value of the industrial zone accounted for 75 percent of its total industrial output value. In 1985, the industrial zone really stressed industry in its production structure and stressed export in its product sales. The industrial zone not only realized a balance in foreign exchange but actually gained a surplus in foreign exchange. According to incomplete statistics, last year the industrial zone (including both joint ventures and enterprises run with exclusively foreign investment) had a surplus of HK\$135 million in its foreign exchange, of which the foreign exchange surplus in industrial enterprises accounted for HK\$118 million. Because the industrial zone stuck to the outward-oriented policy, although the state strengthened its macroscopic control and the administration of credit and foreign exchange last year, the economy of the industrial zone could still develop steadily and its various economic targets could be attained.

In order to implement the policy of "stressing three aspects," the industrial zone has adopted four measures: One is to use administrative measures to strictly examine and approve the projects being negotiated with foreign firms. By sticking to the principle of "stressing the use of foreign funds, the export of most of the products, and the balance in foreign exchange," when considering applications for establishing enterprises in Shekou, the industrial zone has given priority to those industrial enterprises with advanced technology which can export more than 50 percent of their products. The second measure is to use economic measures to control the enterprises in the industrial zone. The industrial zone has clearly stipulated that all the enterprises in the industrial zone must pay in foreign exchange the expenses of water, electricity, communications, land, the salaries of the personnel, and so on. If the enterprises are incapable of creating foreign exchange, they will find it difficult to carry out operations in Shekou even if they can make huge profits by selling their products on the domestic market. At present, joint ventures, cooperative enterprises, and enterprises run with exclusively foreign investment account for 77.6 percent of the products for which contracts have been signed and funds have been invested. The third measure is to try in every way to expand the export of products. This is mainly carried out by importing technology and developing new products for export; processing and finishing raw materials and primary products from the hinterland in the industrial zone and turning them into "value-added products" for export; and finally, making use of the sales channels of foreign companies to expand export. For example, the Universal Electrical Machinery Co. Ltd., which is jointly invested and run by Shanghai Electrical Plant, Hong Kong Wah Sing Enterprise Co., and the Shekou industrial zone, has made use of the technological advantage of the Shanghai Electrical Plant and enabled the standards of some of its products to surpass international standards. Last year the Universal Electrical Machinery Co. Ltd. exported all of its products and gained HK\$2.5 million in net foreign exchange earnings. Another example is the Wah Si Co., which imports printing and dyeing equipment and technology from Italy and the FRG to process and turn raw materials and unfinished silk fabric provided by Zhejiang Province into printed silk fabric, some of which was made into

clothing. The Wah Si Co. exported all of its products, which are extremely welcome on the world market. According to preliminary calculations, when white unfinished silk fabric is processed into printed silk fabric, its value increases by 40 percent. When white unfinished silk fabric is made into clothing its value increases by 120 percent. The fourth measure is to gradually shift from using imported raw materials to using domestic raw materials. In the past, the Far East Fodder Plant, the Haihong Ship Painting Co., and some other enterprises imported all their raw materials from abroad. Because the raw materials were very expensive, these enterprises could only gain a limited amount of profits and they lacked foreign exchange. Later, these enterprises began to use domestic raw materials. Now when their products are exported, these enterprises cannot only make much more profit but can also advance the development of the industries in the hinterland.

[HK211133] III. Stick to the Criterion of Cadres' "Four Transformations" and Train Qualified Personnel Suited To Doing the Work of Opening Up

The success of any cause is first of all determined by human factors. The Shekou industrial zone has achieved better economic results because it has gradually selected and trained a batch of highly qualified cadres.

Most of the cadres of the Shekou industrial zone are transferred or invited from the hinterland. In order to guarantee the quality of the cadres, the industrial zone has paid particular attention to whether they are revolutionary, knowledgeable, specialize, and comparatively young, when employing cadres. The most important thing is to see whether they are revolutionary. When transferring cadres to the industrial zone from the hinterland, the industrial zone has paid particular attention to whether they support the policy of opening up which was formulated by the central authorities, whether they are consciously determined to carry out reforms, and whether they can work with a devotional spirit so as to sift out those who want to come to the industrial zone to "strike gold," that is, to earn high salaries. In employing staff members, the industrial zone has paid attention to the education and knowledge of the applicants and shown due respect for intellectuals. There are now 1,400 cadres in the industrial zone. Some 67 percent of cadres have a university or college education, and 87 percent of the cadres have a polytechnic education. The personnel structure of the industrial zone better conforms to the demand of opening up. Shekou's motto is: Time is money; efficiency is life. In order to maintain high efficiency, cadres must be energetic and healthy. If cadres are too old, they will not be able to match such a high speed. Young people are less conservative. The knowledge of young people is fresh. What is more, young people dare to present new ideas. All these can help to open up new prospects for the reform. Shekou has imposed an age limit when transferring cadres: The age of the cadres below the rank of engineer, associate professor, or research fellow must not be over 45. This has made the age structure of the cadres in the whole industrial zone conform with the needs of the modernization drive.

Apart from these measures concerning cadres' selection and promotion, there are also measures concerning cadres' training. In order to transfer qualified cadres from the hinterland, the industrial zone has established a cadre training center which has placed advertisements in newspapers to invite people to take its examinations. The cadre training center has already admitted several batches of applicants who have a university or post-graduate education. The center has also held one term of English and accounting courses and four terms of business administration courses. In training cadres, the center has opened courses relating to the actual needs of the industrial zone, such as international finances, international trade, industrial and enterprise administration, accounting, statistics, spoken English, foreign trade English, typing, driving, and so on. These practical courses have not only enabled the cadres to acquire real ability and information, but also enabled them to use their knowledge as soon as they start working in the industrial zone. In order to enable these future administrators to become familiar with the laws governing capitalist economic activities, the cadres have also been sent to Hong Kong in batches to carry out investigations into the capitalist market and economic structure so that they can acquire the real knowledge and ability needed in dealings with foreign businessmen. The center has also stuck to the advanced attitude by teaching our country's advanced ideology to the students and conducting reform education among the cadres in order to enable the cadres to grasp the basic spirit of our party's policy of reform and opening up and correctly view their cause and destiny. The center has also purposely let the cadres become familiar with the latest international developments and advanced products in the world so as to broaden their horizons. The center has also invited foreign experts to give lectures or hold symposiums to introduce the achievements of the technological revolution and scientific experiences concerning enterprise management and administration of other countries so as to enable the cadres to frequently deal with all kinds of information in the world and enable this to come naturally to cadres. Over 5 years have passed, and the center has transferred more than 180 cadres to various enterprises in the Shekou industrial zone. The cadre training center has been playing an important role in improving and raising the quality of cadres.

Apart from the measures concerning the selection and training of cadres, Shekou also has a system for ensuring the continued improvement of cadres' quality. Since 1983, the Shekou industrial zone has changed its method concerning cadres' appointments. In the past, the cadres at section chief level or enterprise manager level directly under the Shekou industrial zone were appointed by the higher authorities. Now the cadres at these levels are selected through democratic recommendation. Then the selected cadres are examined by the organization department, approved by the party committee, and finally employed by the administrative committee of the industrial zone. The cadres transferred from the hinterland are appointed to new posts according to their ability and according to the needs of the industrial zone. The cadres of the industrial zone are required to take examinations at regular intervals. [HK211135] In May 1983, the various enterprises directly under the industrial zone employed 46 cadres at or above the rank of assistant manager or deputy director. Among them, 82 percent have a college or above

education. In 1984, the cadre organization department of the Shekou industrial zone further perfected the cadre examination system by formulating relevant regulations concerning cadres' examinations and keeping a record of cadre examinations according to which the industrial zone promotes, commends, or criticizes the cadres and determines cadres' salaries. Those cadres who have long been incompetent and boastful are to be dismissed or downgraded. This system has guaranteed the quality of cadres and prevented incompetent and boastful people from entering the leading posts of the industrial zone. The leading comrade of the party committee of the Shekou industrial zone said that the cadres of the industrial zone are the most precious wealth of the industrial zone.

IV. Demand That the Leading Cadres Set a Good Example and Improve the Party Style and the General Social Mood

Opening up the outside world will inevitably bring some capitalist influences into the special zone. The party committee of the industrial zone has paid particular attention to carrying out discipline education among the cadres and demanding that the cadres strictly carry out the relevant state regulations and not recklessly make use of the special state policies towards the special zone. The industrial zone has banned such malpractices as illegally buying and selling foreign exchange and reselling vehicles at a profit and so on. The industrial zone has canceled the regulation allowing those who go to Hong Kong or foreign countries to bring back one tax-free large household electric appliance. The people in the industrial zone say: "Our cadres are upright and they have resisted various malpractices."

In order to improve party style, the most important thing is that the leading cadres set a good example, because if you want others to behave well, you yourself should behave well first. So the leading comrades of the party committee and administrative committee of the industrial zone have never sought personal privileges by abusing their powers. If they want others to do something, they themselves usually do it first. All the companies directly under the industrial zone have been provided cars for work, but the leading comrades of the party committee and the administrative committee of the industrial zone all go to work by bicycle. Along with the reform of the salary system, the industrial zone has also carried out rent reform. The per square meter rent has been raised to 0.8 yuan or 1.2 yuan. All the cadres and workers must pay rent without getting any subsidies from the authorities. For example, a granddaughter of an old adviser who has retired to the second front comes from Shenzhen to Shekou to attend school. According to the regulations of the school, she has to pay 400 yuan in school fees every term. Some comrades suggested that she be exempted from paying the fee once, but the old adviser insisted on paying the fee and said: "If my granddaughter does not pay the school fee, what will you do if the children of other comrades all refuse to pay the school fee? I should not become the first one to violate the regulations."

In order to improve the party style, the leading comrades must consciously be supervised by the masses. The Shekou industrial zone has formulated a complete system for the masses to supervise the cadres; for example, the cadres

must often listen to the opinions and criticisms of the masses through various channels. The people in Shekou say that the cadres of the Shekou industrial zone are not "bureaucrats," because the cadres do not have the concept of hierarchy and they can be criticized by the masses no matter how high their positions are. Thus there is a good democratic and political atmosphere in the industrial zone. People dare to speak and tell the truth, and all the people are happy and willing to make contributions to the construction of the industrial zone.

The good party style has brought about a fundamental improvement of the general social mood. Over the past 7 years, the number of workers in the Shekou industrial zone has increased to 14,000 and the population of Shekou has also increased. However, there have not been any serious criminal cases in the industrial zone and the industrial zone has basically resisted the corrosive influence of the decadent bourgeois ideology and has been praised by the foreign businessmen and firms in the industrial zone.

The Shekou industrial zone is the first export-oriented industrial zone established in a socialist country, so it has no precedent to refer to or follow. When we analyze the process of the development of its economic construction, we can see that the industrial zone has basically been successful, but the industrial zone still has a number of problems which need to be solved. The main problem is that the present economic pattern is still a primary export-oriented economic pattern which belongs to the category of a processing industry. The industrial zone needs to gradually build its own industry on its present basis, produce its own competitive products, and open up its own export channels. Only by doing things in this way can the industrial zone develop its own competitive strength and capability to cope with change on the international market. This is an important task the Shekou industrial zone must accomplish in the future.

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SPECIAL ECONOMIC ZONES

SHENZHEN INDUSTRIAL OUTPUT REPORTED HIGHER THAN LAST YEAR

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 20 Nov 85 p 3

[Article: "Shenzhen Industry's Outward-Oriented Development; January to October Industrial Output Value Reaches 2.04 Billion Yuan"]

[Text] According to NANFANG RIBAO, the Shenzhen Special Economic Zone has made great progress in terms of the goal of outward orientation in the past year under the premise of continuous and stable industrial development.

Up to October this year, the gross value of industrial output for the whole city reached 2.04 billion yuan, an increase of 60.6 percent compared to the same period last year. The reason for this year's rapid industrial development is the influx of substantial industrial investment. Up to October, 122 industrial projects financed by Chinese-foreign joint capital, cooperative capital, and individual wholly-foreign capital were introduced. The total of the investment agreements is HK\$4.2 billion, or a 6-fold increase over the same period last year. Some US\$900 million has actually been put into use. In January to October this year 137 factories were newly built and put into production in the city, averaging one new factory coming into production every 2.2 days.

One of the gratifying characteristics of Shenzhen's industrial development this year is the rapid increase in foreign-oriented enterprises. Over 70 percent of the products of generally all the factories newly established this year have been marketed abroad. Last year there were only 50 or so factories marketing more than 70 kinds of products abroad. This year it has increased to more than 100 enterprises marketing more than 200 kinds of goods abroad. According to statistics, the special zone's industrial products sold on the international market reached HK\$1.5 billion in the January to September period, an increase of 50 percent over the HK\$1 billion worth sold abroad last year and the year before.

12615
CSO: 4006/524

SPECIAL ECONOMIC ZONES

SHENZHEN SECOND CONTROL LINE TO ENLIVEN ECONOMY

HK230424 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 18 Mar 86

[Text] At a press conference yesterday afternoon, Zhen Xipei, vice mayor of Shenzhen City, said that the establishment of the second control line on 1 April will not block the Shenzhen Special Economic Zone, but will further enliven the economy in the special zone.

The vice mayor emphatically pointed out that establishing and instituting the second control line is for the purpose of creating an investment environment making the special zone really special, and that the general guiding thought is to enliven the special zone.

From 1 April, all people from China's other areas who wish to enter the Shenzhen Special Economic Zone must hold PRC border area permits issued by public security bureaus at prefectural level or above. People residing in Guangdong who wish to enter the Shenzhen Special Economic Zone must hold permits issued by public security bureaus at county level or above. The detailed rules and regulations on entry and exit of relevant persons and freight will be promulgated before the end of March after being approved by the state.

After the official institution of the special zone control line, preferential policies on investment and running enterprises in Shenzhen will be further implemented. All means of production used in the special zone will be duty free. In markets in the special zone, except for the 24 commodities stipulated by the state, only half the customs duties will be imposed on imported daily necessities. This will certainly make the Shenzhen Special Economic Zone more enticing.

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CSO: 4006/860

SPECIAL ECONOMIC ZONES

SHENZHEN EXEMPTS MEANS OF PRODUCTION FROM IMPORT TAX

HK190803 Beijing ZHONGGUO XINWEN SHE in Chinese 1407 GMT 17 Mar 86

[Report by Zhan Moujun [6124 6180 0193]: "Duties Will Not be Levied on Means of Production Imported for Use in Shenzhen Special Economic Zone"--ZHONGGUO XINWEN SHE headline]

[Text] Shenzhen, 17 Mar (ZHONGGUO XINWEN SHE)--After the management line of Shenzhen Special Economic Zone (i.e. the second line) is formally put into use on 1 April, all means of production for use in Shenzhen Special Economic Zone will be exempted from import tax; and, except for the 24 commodities which are now under state control, all articles for daily use will be exempted from 50 percent of import tax.

This was announced by Zhen Xipei, vice mayor of Shenzhen City, at a press conference this afternoon.

He said that after the second line management is introduced, major articles such as color television sets, refrigerators, hi-fi equipment, and so on, will also be gradually exempted from import tax. However, these articles cannot be taken out of the special economic zone.

He said that with the implementation of the second-line management, control in customs posts like Luohu, and so on, will be relaxed. In addition to that, the closing time of Luohu customs will be extended to 10 PM, and other exit and entry formalities will also be simplified. Therefore, it will be more convenient for compatriots from Hong Kong and Macao, overseas Chinese and foreigners to enter the special economic zone from Hong Kong.

Zhen Xipei pointed out that the implementation of second-line management is to invigorate the economy. In the future, Shenzhen will provide more convenience for people in business circles, and interior and foreign businessmen will make more trade contacts in Shenzhen, at various trade fairs and exhibitions.

With a total length of over 90 kilometers, the management line separates the special economic zone, with an area of 327.5 square kilometers, from the non-special zones and has 6 customs inspection stations on land and 2 at sea, as well as 29 farming openings for the convenience of local peasants. The whole project was completed last year and will be formally put into use on 1 April this year.

LABOR AND WAGES

JOB PLACEMENT IN SHANGHAI REPORTED

Shanghai JIEFANG RIBAO in Chinese 23 Oct 85 p 1

[Text] According to data offered recently by the Municipal Statistics Bureau, new job placements in Shanghai during the Sixth 5-Year Plan are estimated to reach 1 million, basically settling the employment problem for the urban unemployed. In 1981, 269,000 people were placed; in 248,000 in 1982; 168,000 in 1983; and in 1984, 148,000. In 1985, it is estimated that roughly 170,000 people will be placed.

Of the 1 million newly-employed, 328,000 are urban unemployed, constituting 32.5 percent; 158,000 are from the countryside, constituting 15.6 percent; about 231,000 are graduates from universities, secondary vocational schools and technical schools by centralized placement, constituting 22.9 percent; about 177,000 are this year's graduates from middle schools, constituting 17.5 percent; and about 116,000 are demobilized soldiers, army men transferred to civilian work, and others, constituting 11.5 percent.

The orientation of the new job placements is as follows: Roughly 721,000 people are working in state-owned units; they constitute 71.4 percent of the total. Roughly 231,000 people are working in the urban collective units, constituting 22.9 percent. Roughly 58,000 people are engaged in individual businesses and household manual labor, constituting 5.7 percent.

With the increase in the number of employed personnel in the last 5 years, the number of urban unemployed personnel has decreased year after year, from 203,000 in 1980 (including that year's surplus middle school graduates) to an estimate of 6,000 in 1985, giving an average annual reduction rate of 50.5 percent. It is estimated that by the end of 1985, the urban social laborers will increase from 4.48 million in 1980 to 4.98 million, an increase by 11.2 percent, and an average annual growth rate of 2.1 percent.

During the Sixth 5-Year Plan, because of the continuous development of the collective and individual economies, the number of staff members and workers of urban collectives and individual laborers has increased relatively rapidly. By the end of 1985, it is estimated that the staff members and workers of state-owned units will increase by 9.3 percent over 1980. Its proportion will drop from 78.5 percent in 1980 to 77.2 percent. It is estimated that the staff members and workers of the urban collective units will increase by 14.7 percent compared to 1980, and its proportion will increase from 21.2 percent in 1980 to 22 percent. It is estimated that urban individual laborers will increase 2.6-fold over 1980, and its proportion will increase from 0.3 percent in 1980 to 0.8 percent.

LABOR AND WAGES

YUNNAN JOB PLACEMENT DURING SIXTH 5-YEAR PLAN REPORTED

Kunming YUNNAN RIBAO in Chinese 10 Oct 85 p 1

[Text] Data offered by the Provincial Statistics Bureau shows that employment in Yunnan has increased in large numbers during the Sixth 5-Year Plan period, with the placement of 730,000 people.

Among the newly-employed, 397,000 are from cities and towns, constituting 53.8 percent; 135,000 are from rural areas, constituting 18.4 percent; about 120,000 are graduates from universities, secondary vocational and technical schools by centralized placement, constituting 16.3 percent; and about 84,000 are demobilized soldiers, army men transferred to civilian work, and other laborers, constituting 11.5 percent. As new jobs increase in large numbers, the unemployed in cities and towns are decreasing year after year, and the unemployment rate is declining. In 1980, the unemployed in the cities and towns totaled 72,000. By the end of this year, it is estimated to be 45,000, reducing the unemployment rate by 1.6 percent.

Because of the rapid growth of the collective and individual economies, urban collective staff members and workers and individual laborers have increased more rapidly in the last 5 years. It is estimated that the total number of urban social laborers throughout the province this year will increase 17.9 percent compared to 1980, with an average annual growth rate of 3.4 percent. Of this, it is estimated that the number of staff members and workers of the state-owned units this year will increase by 9.4 percent over 1980, and its proportion will drop from 87 percent to 80.9 percent. It is estimated that the number of staff members and workers of the urban collective units will increase by 37 percent over 1980, and its proportion will rise from 12.5 percent to 14.6 percent. It is estimated that the number of individual laborers will increase 14 times over 1980, and its proportion will rise considerably.

The various labor-service companies developed in recent years have become new social labor organizations which are found in cities and towns throughout the province. They are playing an increasing role in placing, training, and regulating the labor forces of society.

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CSO: 4006/401

POPULATION

PRC ISSUES MARRIAGE REGISTRATION REGULATIONS

OW151135 Beijing XINHUA Domestic Service in Chinese 0100 GMT 14 Mar 86

[Text] Beijing, 14 Mar (XINHUA)--Regulations Governing Marriage Registration Approved by the State Council on 31 December 1985 and Promulgated by the Ministry of Civil Affairs on 15 March 1986:

Article 1: These regulations have been formulated in accordance with the relevant provisions under the "People's Republic of China Marriage Law" for guaranteeing the implementation of the matrimonial system of marriage freedom, monogamy, and equality between men and women; for protecting the legitimate rights of the parties to marriage; and for preventing acts in violation of the marriage law.

Article 2: When a man and woman get married, divorced, or remarried of their own volition, they shall register the status of their marriage in accordance with these regulations.

The legitimate rights of those marriage partners who have effected due registration in accordance with the law shall be protected by the law.

Article 3: The organizations in charge of marriage registration shall be township, nationality township, and town people's governments in rural areas, and neighborhood offices, district people's governments, or city people's government when there are no districts in the cities.

Article 4: When a man and woman get married of their own volition, they shall personally apply for marriage registration with the marriage registration organization in either of their domiciles. Resident identity cards or household registers, and certificates issued by the units concerned or the village committees (the resident committees) containing birth and marriage information (single, divorced, or widowed) shall be submitted upon application. Those who have been divorced shall produce divorce certificates when applying for re-marriage.

Article 5: Marriage registration organizations shall approve the registration of marriages found to be in compliance with the marriage law and these regulations upon examination and shall accordingly issue the "marriage certificates." They shall disapprove of the registration of marriages that violate the marriage law and these regulations, and shall conduct propaganda and education on the marriage law for the parties concerned.

Where a couple applying for marriage registration is unable to obtain the required certificate due to interference from their units or other people, the marriage registration organization shall investigate the case and issue the "marriage certificate" if it finds the marriage to be actually in compliance with the marriage law and these regulations.

Article 6: When any of the following conditions exists with respect to one or both of a couple applying for marriage registration, the marriage shall be banned and registration withheld:

- a. younger than the legal age for marriage;
- b. not marrying of one's own volition
- c. already married;
- d. of linear blood relationship or collateral blood relationship within three generations;
- e. afflicted with leprosy or venereal diseases without having been cured.

Article 7: When a man and woman get divorced of their own volition and have reached agreement on child support and financial arrangement, they shall personally apply for divorce registration with the marriage registration organization in either of their domiciles. Resident identity cards or households registers and the "marriage certificate" shall be produced upon application. The marriage registration organization shall approve the registration, issue a "divorce certificate," and revoke the "marriage certificate," if it finds the case to be true upon investigation.

The marriage registration organization shall refuse to handle a case in which either or both of the parties demand divorce but have failed to reach agreement on child support and financial arrangement.

Article 8: When a man and woman resume their matrimonial relationship of their own volition after a divorce, they shall personally apply for remarriage registration with the marriage registration organization in either of their domiciles. The marriage registration organization shall handle the registration in accordance with the marriage registration procedures, and shall issue a "marriage certificate" and revoke the "divorce certificate."

Article 9: A man and woman applying for marriage, divorce, or remarriage registration shall provide true information required by the marriage registration organization.

When the marriage registration organization finds that a married couple has committed acts in violation of the marriage law, or has obtained the "marriage certificate" through fraudulent means by providing false information upon registration, it shall proclaim the marriage null and void, revoke the stolen "marriage certificate," and criticize and educate those held liable for these acts. When criminal violations are involved, judicial organs shall pursue criminal liability in accordance with the law.

Article 10: Marriage registration organizations shall properly preserve marriage records in accordance with the regulations governing record-keeping.

Marriage registration organizations are permitted to issue "certificates of matrimonial relationships" or "certificates of the termination of matrimonial relationships" in accordance with the information provided on marriage records to those who have lost their "marriage certificates" or "divorce certificates." The said two certificates have the same legal force as a "marriage certificate" or a "divorce certificate."

Marriage registration organizations are also permitted to furnish certificates of the legally registered marriage (divorce, or remarriage) of the people concerned in accordance with the information provided on marriage records to public security and judicial organs requiring such information.

Article 11: The forms for "marriage certificates," "divorce certificates," "certificates of matrimonial relationships," and "certificates of the termination of matrimonial relationships" shall be prescribed by the Ministry of Civil Affairs; printed by provincial, autonomous regional, and municipal people's governments; and stamped by county and district or city people's governments where there are no districts.

"Marriage certificates" and "certificates of matrimonial relationships" shall carry pictures of both parties and the imprints of seals (embossed seals) for exclusive use in marriage registration.

Marriage registration organizations shall charge for the costs of issuing "marriage certificates" or "divorce certificates," or of producing "certificates of matrimonial relationships" or "certificates of the termination of matrimonial relationships."

Article 12: The posts of registrar at marriage registration organizations shall be filled by people who were trained by civil affairs departments at and above the county level, have passed the evaluation tests, and have obtained certificates certifying them as of marriage registrars.

When in handling marriage registrations, marriage registrars refuse to register cases eligible for registration under the law or register cases not eligible for registration under the law, they shall be criticized, educated, or given disciplinary measures as the seriousness of the case may warrant. Where criminal violations are involved, judicial organs shall pursue the criminal liability in accordance with the law.

Article 13: Where some of these regulations are not applicable to marriage registration in ethnic autonomous areas, some alternative or supplementary provisions may be formulated in accordance with the principles of these regulations and local ethnic wedding traditions. Said cases shall then be reported to the higher people's government, the Ministry of Civil Affairs, and the State Nationalities Affairs Commission for the record.

Article 14: Registration of marriages between Chinese and foreign nationals, between Overseas Chinese and mainland citizens, and between compatriots from Hong Kong and Macao and mainland citizens shall be effected in accordance with some of the provisions governing marriage registration between Chinese and

foreign nationals and between Overseas Chinese and compatriots from Hong Kong and Macao and mainland citizens.

Article 15: These regulations shall take effect on the day of promulgation. "The Regulations Governing Marriage Registration" promulgated on 11 November 1980 are abolished at the same time.

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CSO: 4006/851

POPULATION

SHANXI MEETING COMMENDS PLANNED PARENTHOOD PROGRESSIVES

HK230221 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 22 Mar 86

[Excerpts] On 22 March, the provincial government held a gathering in Taiyuan to commend advanced collectives and individuals in practicing planned parenthood.

Zhang Weiqing, member of the standing committee of the provincial CPC committee, spoke on behalf of the provincial CPC committee and government. He stressed: We must continue to do a good job in planned parenthood and strictly control population growth during the Seventh 5-Year Plan. The province's natural population growth must be kept below 10.5 per 1,000, and the population must be controlled at about 27.6 million. The population should be controlled at about 30 million by the end of the century. In order to fulfill this task, he stressed four views in his speech:

1. We must continually enhance the understanding of the leaders and the masses regarding planned parenthood, and persevere in simultaneously grasping two kinds of production.
2. We must persevere in reforms and gradually perfect the planned parenthood policies.
3. We must carry out vivid and lively planned parenthood propaganda and education.
4. We must strive to train and build a Red and expert planned parenthood work force.

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CSO: 4006/860

POPULATION

SHANXI RADIO URGES GOOD JOB IN PLANNED PARENTHOOD

HK230223 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 22 Mar 86

[Station commentary: "Continue To Get a Tight Grasp of Planned Parenthood Work"]

[Excerpts] During the Sixth 5-Year Plan, and especially since implementing Central Document No 7, the situation of excessively rapid population growth rate in Shanxi was basically put under control. However, the province's task of population growth control during the Seventh 5-Year Plan is extremely arduous. On the one hand, those born during the first birth peak after the founding of the state are now entering marriageable age, and a new birth peak is imminent. On the other hand, there are still serious imbalances and many weak links in our work. Some comrades lack sufficient understanding of the long-term and arduous nature of practicing planned parenthood, mistakenly holding that since the economy has developed, a few more births do not matter. They have thus slackened leadership over planned parenthood work. Some places have not done a thorough job in implementing the intentions of the central authorities, and the policies there are not sufficiently perfected and firmed up. A long process is required to change the masses' view of procreation. Unhealthy trends have appeared among the leaders of a few places in carrying out planned parenthood work, and so on.

All these problems add to the difficulties of population control. We must keep cool heads. We must certainly not relax planned parenthood work just because the economy is developing in a sustained and steady way, people's living standards have improved, and the population growth rate has declined somewhat. If we go about things carelessly and negligently, we will go back to the situation of excessively rapid population growth.

We must therefore put planned parenthood onto the track of building socialist spiritual civilization and assign it its rightful important position.

We must persist in a civilized work style and avoid and eliminate certain work styles of issuing compulsory orders. We must adopt various ways to effectively serve the masses and strive to change the masses' view of procreation and make them more spontaneous in practicing planned parenthood, so as to ensure the fulfillment of the province's population plan for the Seventh 5-Year Plan.

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CSO: 4006/860

PUBLICATIONS

NEW TRADE GAZETTE PUBLISHED

Beijing GUOJI SHANGBAO in Chinese 11 Nov 85 p 2

[Article by Bi Shuchu [3968 5289 2806]: "DUIWAI JINGJI MAOYI WENBAO [MOFERT GAZETTE] To Be Published Next Year"]

[Text] To meet the needs of economic relations and trade development, the Ministry of Foreign Economic Relations and Trade [MOFERT] has decided to publish the DUIWAI JINGJI MAOYI WENBAO. It is already in trial publication. The January 1986 edition is the first official issue.

In its exercise of state administration functions, the gazette is one of MOFERT's means of official communication. Any document or matter related to economic relations and trade that is to become common knowledge will be published in it. In general, articles carried in the gazette will not be republished elsewhere and they shall have the same administrative and legal effect as normal official communications.

The gazette's main contents are: policies, laws, rules, regulations and measures formulated by MOFERT; the installation, amalgamation, dissolution or name change of economic relations and trade administration organizations at the provincial level or above, or of national economic enterprises; the establishment or dissolution of major Chinese-foreign joint ventures, wholly foreign-owned enterprises and foreign enterprise representatives offices in China; the appointment and dismissal of personnel with major responsibilities in the various main functional organizations of MOFERT and national economic relations and trade enterprises and units; and documents formulated by the CPC Central Committee, the State Council, and various authorized departments that require thorough implementation by economic relations and trade enterprises and units nationwide.

The gazette will be issued throughout the country. All levels of foreign economic relations and trade administration departments, all kinds of economic relations and trade enterprises, and all units above the business departments (under state jurisdiction) should subscribe to it. Administrative departments higher than county offices that are outside the economic and trade system can also subscribe. Subscription solicitation has already begun. Please contact MOFERT's general office for confidential matters regarding specific subscription information.

HONG KONG

HONG KONG'S FOREIGN TRADE EXPECTED TO EXPAND

Beijing GUOJI SHANGBAO [INTERNATIONAL BUSINESS] in Chinese 26 Dec 85 p 3

[Article by Zhang Mingyou [4545 2494 0645] and Gu Chunfang [7357 2504 5364]:
"Hong Kong's Foreign Trade Will Continue To Grow"]

[Text] Since 19 December 1984, when the governments of China and England signed a joint communique regarding the Hong Kong question, Hong Kong's foreign trade situation has been getting better by the day. In comparison with the last third of September, 1983, when the Hong Kong dollar began tumbling rapidly, inflation soared, the price of land sank, and capital flowed outward, the Hong Kong dollar is now stable, the market is thriving, investment is up, and much of the capital that flowed out has returned. Also, real estate has come back to life, construction has fully recovered, and tourism is up. The joint communique provided a realible guarantee that Hong Kong's prosperity and stability would be maintained in the long term. Hong Kong's foreign trade will continue to expand and be open, stable, and flexible.

Foreign trade is felt to be "Hong Kong's lifeline." Hong Kong's 5.3 million residents largely depend on imports of raw materials for production and daily consumption, for semifinished products, and for production equipment. Ninety percent of Hong Kong's products are for export; without foreign trade, Hong Kong's production system could not continue. In 1984, the total amount of Hong Kong's foreign trade was 1.79-fold that of total production value. Moreover, the growth of Hong Kong's banking, insurance, storage, port, and both its wholesale and retail industries by and large is closely tied to foreign trade.

Hong Kong has been a traditional market for commodity exports from the mainland. Hong Kong residents are accustomed to Chinese merchandise. China has sales networks all over Hong Kong and Kowloon and that foundation is pretty stable. Before 1968, China was consistently the leading exporter to Hong Kong, but by 1968 Japan leaped into the top position and held onto it for 14 years, but once again in 1982 China recovered the crown and has held onto it ever since. China provides many commodities that Hong Kong residents consider traditional necessities; some are indispensable fresh or live items such as livestock, fowl, eggs, fruit, vegetables, sugar, and fish. Crucial raw materials for industry as well as semi-finished and

finished commodities, such as cotton cloth for textiles and cotton yarn, are furnished. Energy sources, such as coal and oil, which Hong Kong's economy will require over the long run are increasingly being supplied. Moreover, the fair price of Chinese goods is helpful in lessening expenses for Hong Kong residents, diminishing Hong Kong's production costs and slowing inflation.

Because Hong Kong can readily adapt its products to market changes, it is quite competitive on foreign markets.

Hong Kong is known as a place that "knows which way the wind is blowing," meaning that exporters are in tune with demand on foreign markets. This is because Hong Kong pays close attention to and has a handle on news about foreign markets; its information pathways are numerous, news travels fast, and the subject matter is extensive. Furthermore, at a certain level it is also related to the fact that Hong Kong businessmen have the flexibility and enterprising spirit it takes to develop new, popular products. There are many examples of its successes: In the 1960's it was wigs and plastic flowers; in the 1970's it was worker's clothing, electronic watches, and calculators; in the 1980's it has been video games and electronic telephones. As to minicomputers, Hong Kong businessmen were quickly able to catch up with the tide at the right moment, so much so that it has become the major exporting center worldwide.

When Hong Kong products first entered the European and American markets, it was generally because their reasonable prices attracted customers. Although during the 1970's the quality of Hong Kong goods improved steadily, price competitiveness was still extremely important. This was largely because of the competition from cheap products produced in South Korea and Taiwan Province.

Prospects for Hong Kong's trade development in the next few years are good.

First, although the economy of the West cannot avoid the impact of their economy's cyclical nature, which affects the speed of growth, in general the economy is tending toward growth. According to predictions from pertinent sources, the American economy, which paves the way for a growing Western economy, will attain a growth rate of about 2.5 percent in 1986; furthermore, between 1986 and 1990 the main industrialized nations of the West should be able to maintain about a 3-percent growth rate. On the basis of other estimates, the volume of world trade for 1985 and 1986 will grow by 5.4 percent annually and from 1987 to 1990 an average annual growth rate of 5.3 percent can be expected. So if the world economy continues to expand, Hong Kong's exports will do well.

Second, as China's interior continues to open up and if government policies continue to invigorate the economy of the interior, economic dealings between Hong Kong and the interior region ought to become even closer. Beyond merely continuing as an entrepot port for the interior, if Hong Kong and the interior further expand cooperative industrial development, then trade in production equipment, raw materials and semifinished products will continue to grow between them.

Third, Hong Kong's entire economy will realize stable growth. People are predicting that from 1985 to 1989 Hong Kong's economy should grow annually an average of 7.5 percent and individual consumer spending should be able to maintain the 8-percent growth rate of the previous 5 years, if not rise a little bit.

Fourth, Hong Kong industry is just entering into a period of structural readjustment; it is changing from a labor-intensive to a technologically intensive system, which should help it to launch new products into the market and help it cope with competition from neighboring areas. For example, the variety of electronic products is enormous and many of these are still in the new-product market, though the potential is great. Hong Kong can make use of its sensitive market antennas and can easily obtain advanced technology from the West; it possesses the right conditions that can enable it to expand exports of electronic products.

Fifth, in September of this year, five Western nations united and intervened to weaken the U.S. dollar. This has helped American exports and at the same time has on all levels put a damper on radical protectionist sentiments in America. Furthermore, because the currency exchange rate between U.S. and Hong Kong dollars has been stable, the exchange rate between Hong Kong dollars and other currencies has also softened. Consequently, the competitiveness of Hong Kong products has been enhanced, thus stimulating exports.

According to analyses, Asian economies will grow faster than either the European or American economy. Hong Kong is right in the heart of Asia; if it can maintain stability, adaptability, and openness, it ought to see steady growth in the next several years.

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